CREATING TOMORROW TODAY

BHP BILLITON PLC ANNUAL REPORT 2004

bhpbilliton

BHP Billiton is the world's largest diversified resources group, operating a unique mix of high-quality assets across the globe. We structure our portfolio of assets into seven customer-oriented groupings called Customer Sector Groups. These are Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Diamonds and Specialty Products, Energy Coal and Stainless Steel Materials.

As you will see on the following pages, our commodities are used in a vast range of products, from playful plastics to powerful PCs to super-fast trains. We're proud of the contribution our operations are making to 'creating tomorrow today' while delivering value and sustainable returns for our shareholders.

WE CREATE VALUE THROUGH THE DISCOVERY, DEVELOPMENT, CONVERSION AND MARKETING OF NATURAL RESOURCES

ANNUAL GENERAL MEETING

The Annual General Meeting of BHP Billiton Plc will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London on Thursday 25 November 2004 at 10:30 am.

ABOUT THIS REPORT

BHP Billiton is a Dual Listed Company comprising BHP Billiton Limited and BHP Billiton Plc. The two entities continue to exist as separate companies but operate as a combined group known as BHP Billiton.

The headquarters of BHP Billiton Limited and the global headquarters of the combined BHP Billiton Group are located in Melbourne, Australia. BHP Billiton Plc is located in London, UK. Both companies have identical Boards of Directors and are run by a unified management team. Throughout this Report the Boards are referred to collectively as the Board. Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole.

The laws in Australia and the UK require us to adopt a different approach to reporting results. This Annual Report deals with the affairs of the BHP Billiton Group as a whole.

Throughout this Report, the terms BHP Billiton, the Company and the Group refer to the combined group, including both BHP Billiton Limited and subsidiary companies and BHP Billiton Plc and subsidiary companies. The term 'the merger' has a corresponding meaning.

Copies of the Annual Reports for BHP Billiton Plc and BHP Billiton Limited (Concise Report and Combined Financial Statements) can be found on www.bhpbilliton.com. Shareholders may also request a copy by telephoning (44 20) 7802 4194.

BHP Billiton Limited.
ABN 49 004 028 077.
Registered in Australia.
Registered Office:
180 Lonsdale Street,
Melbourne Victoria 3000
Australia.

BHP Billiton Plc.
Registration Number 3196209.
Registered in England
and Wales.
Registered Office:
Neathouse Place,
London SW1V 1BH UK.

CONTENTS

'I commend my Board colleagues and Chip Goodyear and his team for their continued commitment to superior performance and transparency, which has enabled the Company to turn in a stellar performance for the 2004 financial year.'

Don Argus, Chairman

A world class diversified asset base; stable and increasing cash flows; strong margins stemming from cost savings, operating efficiencies and higher commodity prices; growing volumes, a range of premium organic growth options together with an engaged and committed workforce have contributed to the stellar profit performance recorded by BHP Billiton for the financial year ended 30 June 2004.

Our earnings before interest, tax, depreciation, amortisation and exceptional items were US$7.5 billion (US$6.9 billion after exceptional items); our available cash flow (after interest and tax) reached US$5.2 billion and the total dividend payment for the year was 26 US cents a share, compared with 14.5 US cents a share last year. Three dividends were declared this year as a result of our decision to realign dividend dates to coincide with announcements of our interim and full year results. In recognition of the strength of our cash flow, we are assessing the best way to return up to US$2 billion to shareholders.

Today BHP Billiton has a market capitalisation of around US$58 billion, compared to US$35 billion as at 30 June 2003 and US$28 billion at the time of the merger announcement in 2001. Since the merger, our focus on creating value has resulted in BHP Billiton Limited outperforming the ASX200 by 75 per cent and the S&P 500 by 83 per cent and BHP Billiton Plc outperforming the FTSE100 by 106 per cent and the S&P 500 by 92 per cent. All this is a very satisfying result for shareholders: it demonstrates market recognition of our performance and vindicates the strategic direction being undertaken by the Group.

Resource companies are often criticised by the financial market for 'wasting' capital, by investing in big capital projects when times are good then failing to generate an acceptable return on that capital. One of the reasons that the financial markets now recognise BHP Billiton as a very different resource company is our return on capital. This year, we achieved a financial return on capital of 21.4 per cent, an extremely competitive result for a resource company. If we look at the Shareholder Value Added measure over the past three years, during part of which global growth was in a downturn, we see a testament to the discipline and focus that Chip Goodyear and his team have brought to the consistent delivery of our strategy and allocation of capital over this period.

BHP Billiton is not immune from market volatility but if we continue to deliver growth with returns above our cost of capital and maintain a strong cash flow, we will continue to attract a wide investor base and achieve our objective of becoming a core shareholding for global institutional investors as well as for individual shareholders and superannuation funds.

While we are extremely proud of our financial results for the year, ultimately it is the ability of an entity to manage its assets well and execute growth opportunities that create sustainable value in a company. The quality of our resource reserves, product and geographic diversity are the foundation of our success. Together with our pipeline of project opportunities, which remains unequalled in the industry, these attributes provide us with the confidence that the growth momentum can be maintained in the near to medium term.

Corporate Governance

Shareholders, community groups, the legal system and governments have greater expectations than ever before of the behaviours required of our corporations and their leaders. The Board of BHP Billiton recognises that out-performance can only be sustained over the long term if the right governance framework is in place. Empirical evidence is starting to emerge that supports this view and we applaud those investment institutions working hard to demonstrate the link.

At BHP Billiton the Board is committed to a governance framework that supports the pursuit of the Group's objective – that is the creation of long-term value for shareholders through the discovery, development and conversion of natural resources and the provision of innovative customer and market-focused solutions. The most challenging but integral ingredient for the effective operation of a board is the relationship between directors and how they function as a group. For a board to operate effectively it is imperative that there is a climate of trust where every member of the board is not only provided with timely information but is encouraged to question and challenge each other, the operational management and accepted wisdom and strategy.

Another essential element in the governance process is a commitment to board renewal. To assist this process, skill set requirements are regularly reviewed; a collective review of the Board as a whole and its various sub-committees is undertaken every two years and individual non-executive Director reviews are undertaken every alternate year or when a Director offers himself/herself for re-election. The Board has also adopted a Board Governance Document that outlines the processes and practices that the BHP Billiton Board has adopted to discharge its responsibilities to shareholders. It outlines the individual qualities of the Directors and their commitment to the collective decision-making process and describes the separate roles, authorities and accountabilities of each of the Board and the Chief Executive Officer. It outlines how delegated authority is monitored and performance is evaluated. A copy of the document can be found on our website at w*ww.bhpbilliton.com* and the principal policies and practices that we have adopted are outlined in the Corporate Governance Statement that appears in this Report.

Again I commend my Board colleagues and Chip Goodyear and his management team for their continued commitment to superior performance and transparency, which has enabled the Company to turn in a stellar performance for the 2004 financial year.

Corporate Social Responsibility

BHP Billiton is committed to meet and exceed stakeholder expectations beyond measures of revenue, profit and legal obligation and we have made considerable progress in the past 12 months. We have set ourselves clear targets and publicly report our progress in our detailed Health, Safety, Environment and Community Report. As an example, we have set ourselves a target for aggregate contributions of 1 per cent of our pre-tax profit, calculated on a rolling three-year average, on community programs. We have again exceeded this target and are very pleased to have received external recognition for the quality of the programs. Despite this progress, we have failed to meet our most important target – zero fatalities. Tragically 17 employees or contractors lost their lives during the year, an outcome that is unacceptable by any measure. Management have refocused and redoubled their efforts to address this issue in line with the Group's target of Zero Harm. We know this is achievable because we have many operations around the world where excellence in safety has been and is being consistently achieved.

Outlook

This is an exciting time to be part of the resources industry. The global economy has been experiencing a significant increase in growth with simultaneous demand increases in many economies. Of particular note has been strong growth in China, Japan and other Asian economies. We expect China's economy to ease modestly from current near double-digit growth rates yet remain a large and sustainable consumer of raw materials and resources in coming years. As in any economic cycle, we expect the rate of growth to vary from period to period, although we do not see this altering the course of long-term growth and development.

Broadly-based world growth, China's strong demand growth and relatively low inventory levels suggest that commodity prices could be sustained at higher levels than experienced in recent years. However, stronger prices will in turn act as an inducement to new supply, which should bring supply and demand fundamentals back towards balance over the medium term.

BHP Billiton is well placed to exercise the growth options within our portfolio and increase production capacity for many commodities currently in short supply. Many of these expansions can be brought to market quickly and at low cost, a key competitive advantage that ensures we can be profitable not only in today's strong demand environment, but throughout the economic cycle.

Don Argus, Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

In a global environment of strong demand and increasing US dollar commodity prices, BHP Billiton has responded quickly and cost-effectively to the opportunities presented, resulting in the year's record profit of US$3.5 billion before exceptional items, or US$3.4 billion after exceptional items. Our ability to increase production across our businesses in response to demand and strong prices and meet our customers' requirements in a robust market reflects the success of our broader strategy built around a high-quality and diversified asset base, efficiency improvements, both short and longer-term growth options and customer-focused marketing. In short, your Company was positioned well to respond to and take advantage of the past year's economic conditions.

However, as a company with core goals beyond annual financial performance, we are unable to claim genuine success. While we have seen improvement in a number of our safety statistics, our performance has not been acceptable in relation to fatalities, with a devastating 17 deaths across our operations during the financial year. While we are confident that our commitment to ensuring the highest safety standards has not waned, clearly we must continue to identify and rectify any areas of weakness in our safety program. It is my strong view that safety management can only be successful if led from the top and our entire executive team is committed to and individually accountable for improving our record.

In the other important non-financial areas of environmental responsibility and community support, I am proud of our achievements and point to the range of exciting and innovative programs that we support around the world. There are many more programs outlined in our separate Health, Safety, Environment and Community Report. We were pleased to receive wide-ranging recognition for some of these programs, in particular the Global Business Coalition on HIV/AIDS award – Business Excellence for Innovation and a Special Award for Impact on a Community in the Australian Prime Minister's 2003 Awards for Excellence in Community Business Partnerships.

Operating Performance and Reaching our Markets

Every one of our seven Customer Sector Groups increased its profitability in fiscal 2004. Our Carbon Steel Materials business continued its record performance, responding to continuing strong demand for iron ore and, more recently, coking coal and manganese. By accelerating capacity expansion programs at our Western Australian iron ore operations and ramping up manganese production, we were able to benefit from strong price increases.

The Base Metals business showed significant improvement, largely due to a strong copper price, our ability to produce increased tonnage at Escondida in northern Chile, despite some constraints relating to water recovery, and the re-start of Tintaya in Peru. Our Aluminium business had a record year for both production and profit: the early completion of aluminium smelter expansion projects at both South Africa's Hillside and Mozambique's Mozal endorsed our decision three years ago to invest in this business. The strong operational performance of our nickel assets, together with a sharp increase in price, saw the Stainless Steel Materials business increase its EBIT contribution by 281 per cent, a record performance.

A strong oil price supported an excellent result from our Petroleum business. Continuing development of new opportunities in the increasingly significant Gulf of Mexico and access to new gas markets are helping to offset the decline of some of our legacy assets in Australia. This strategy will start to pay dividends as we expect to see increasing oil and gas output from fiscal 2005 forward.

Our Energy Coal business improved its performance during the year, largely due to the ramp-up in production at Mt Arthur North in New South Wales, Australia, and an improved performance from Cerrejon in Colombia. Diamonds and Specialty Products benefited from the mining of the higher-grade Koala pipe during the first half of the year. Despite lower ore grades in the second half, the EKATI Diamond Mine produced nearly 5.5 million carats.

Growth

Much of the year's successful financial performance is directly attributable to the implementation, below budget and ahead of schedule in many instances, of a series of growth projects that have enabled us to meet increased global demand for

'Your Company was positioned well to respond to and take advantage of the past year's economic conditions. Every one of our seven Customer Sector Groups increased its profitability in fiscal 2004.'

Charles Goodyear, Chief Executive Officer

commodities. Seven major projects and several smaller expansions of existing operations were completed during the year. These included the Hillside aluminium smelter expansion, expansions of our Western Australian iron ore mines along with rail and port facilities, the Mt Arthur North thermal coal operations in Australia, the Ohanet wet gas operations in Algeria and the Zamzama natural gas facilities in Pakistan.

Approved for development to meet future demand were a further iron ore capacity expansion in Western Australia to 110 mtpa; the innovative Escondida Sulphide Leach project in Chile; the Ravensthorpe nickel mine and Yabulu nickel refinery extension in Australia; a series of projects to increase alumina production at Worsley in Western Australia; and the Panda Underground project at our EKATI Diamond Mine in northern Canada. Representing a capital expenditure of US$2.2 billion in total, each of these approved projects can be funded from the Company's strong and stable cash flow.

Innovation/Exploration

Our emphasis on developing and implementing leading-edge technology was demonstrated not only across our operations, but also in the approval of several new projects. A prime example is the Escondida Sulphide Leach copper project, which will produce an additional 180 000 tonnes of copper cathode each year, beginning in 2006, using a bacterially-assisted leaching process on low-grade run of mine ore.

Our three patented FALCON™ Airborne Gravity Gradiometer systems flew some 217 000 kilometres on four continents during the year. About 75 per cent of these operations were managed by companies with the dedicated purpose of using FALCON™ to discover new mineral deposits.

Petroleum exploration activities continued to yield positive results in the Gulf of Mexico from the Shenzi, Neptune and Puma wells and we continued to increase our position in the region through additional lease acquisitions. Positive results were also achieved in the Exmouth sub-basin in Australia.

Our People

The effort and commitment required by all our people, at every one of our operations and offices around the globe, have been significant. I am extremely proud to be leading the 35 000 people who have contributed to our successes. I need, however, to reinforce the responsibility of all our people to ensure that our safety standards are not compromised and that we continue to improve our overall safety performance.

Going Forward

The impact of China's growth has shaped BHP Billiton's operating and development performance over the past year and we expect this to continue over the medium and long term. Sales to China represented approximately 10 per cent of our total sales in fiscal 2004. While we believe China's growth and the effect it has on the global economy will be a factor impacting product demand, we expect inevitable disruptions and downturns along its economic growth path.

While rising raw material demand from the developing world will benefit your Company in years to come, BHP Billiton is not dependent on this for long-term success. Our strategy is appropriate for both weak and strong markets. We will continue to optimise the operational performance of our world-class assets; seek operational efficiencies to ensure we remain competitive; focus on the needs of our customers; execute our internal organic growth options in line with market demand; and, where it creates additional value for shareholders, opportunistically execute acquisitions. It is our firm belief that this strategy will enable us to continue to deliver superior shareholder value and meet our ultimate goals associated with being a leading global company.

Charles Goodyear, Chief Executive Officer

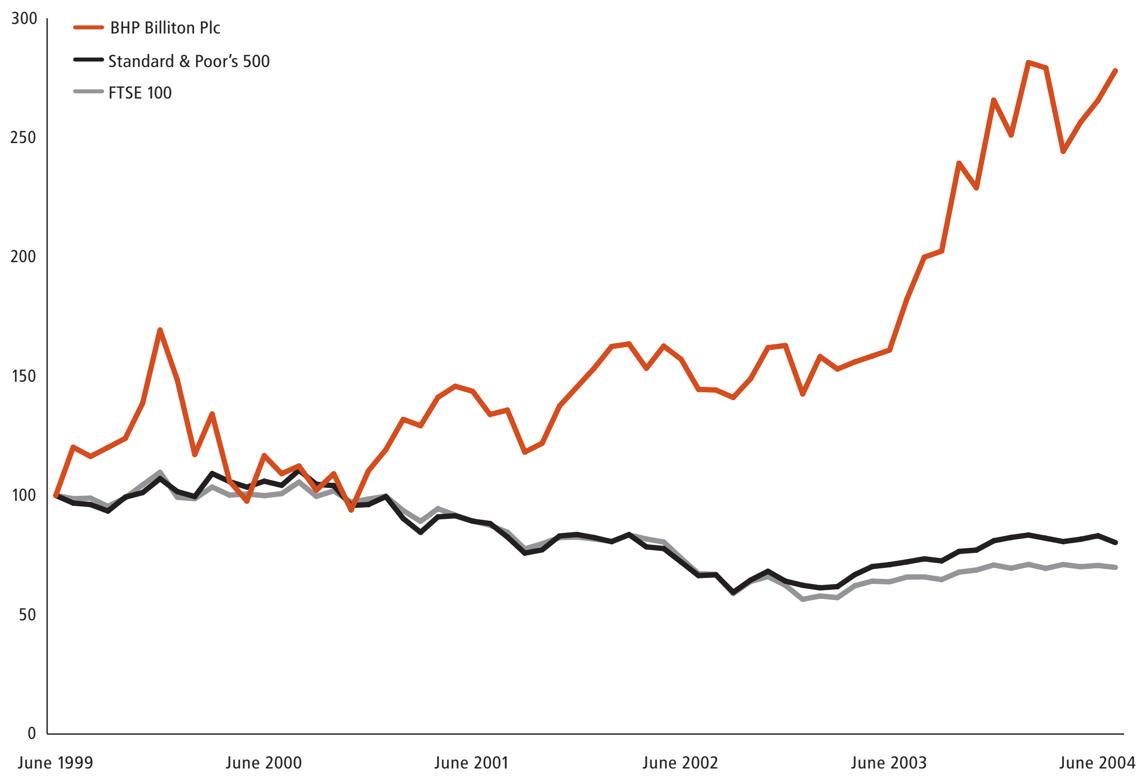
FINANCIAL PERFORMANCE 2004

BHP BILLITON GROUP

US$ million	2004	2003	Change
Turnover (1)	24 943	17 506	42.5%
EBITDA (1)(2)(3)	7 506	5 363	40.0%
EBIT (1)(2)(3)	5 488	3 481	57.7%
Attributable profit (excluding exceptional items) (1)	3 510	1 920	82.8%
Attributable profit (including exceptional items) (1)	3 379	1 901	77.7%
Available cash flow (4)	5 235	3 596	45.6%
Net operating assets (at 30 June)	21 510	20 656	4.1%
EBITDA interest coverage (times) (1)(2)(3)(5)	21.1	13.3	58.6%
Gearing (at 30 June)	24.9%	31.7%	(21.5)%
Basic earnings per ordinary share (excluding exceptional items) (US cents) (1)	56.4	30.9	82.5%
Basic earnings per ordinary share (including exceptional items) (US cents) (1)	54.3	30.6	77.5%
Dividends per share (US cents) (6)	26.0	14.5	N/C

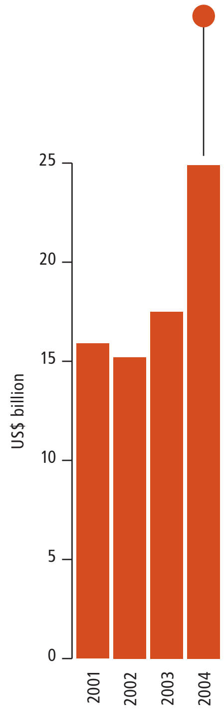
(1) Including the Group's share of joint ventures and associates.
(2) Excluding exceptional items.
(3) EBIT is earnings before interest and tax. EBITDA is EBIT before depreciation, impairments and amortisation of Group companies and joint ventures and associates of US$2018 million and US$1882 million for the years ended 30 June 2004 and 2003 respectively. We believe that EBIT and EBITDA provide useful information, but should not be considered as an indication of, or alternative to, attributable profit as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.
(4) Available cash flow is operating cash flow including dividends from joint ventures and associates and after net interest and tax.
(5) For this purpose, net interest includes capitalised interest and excludes the effect of discounting on provisions and other liabilities, and exchange differences arising from net debt.
(6) Three dividends were declared for the year ended 30 June 2004, compared to two dividends declared for the year ended 30 June 2003, as a result of the Group's decision to realign dividend declaration dates to coincide with the announcements of our interim and full year results.

Relative share price performance index – 5 year (US$)



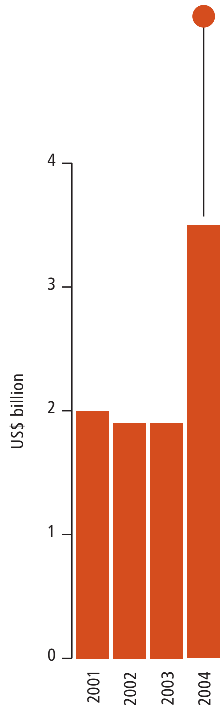
TURNOVER (1)

US$24.9B



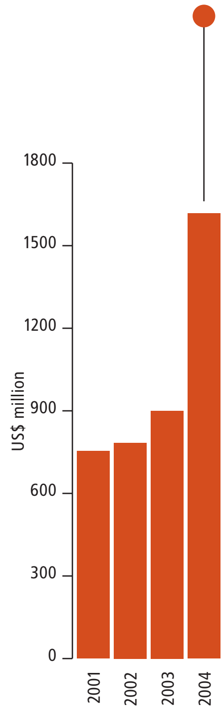
ATTRIBUTABLE PROFIT (1)

US$3.5B



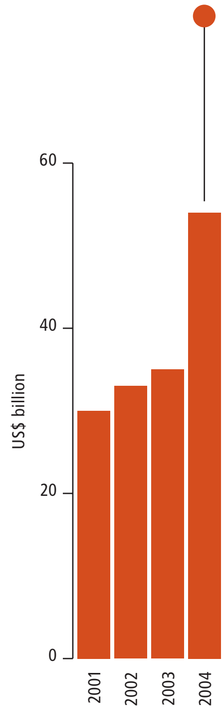
DIVIDENDS TO SHAREHOLDERS (2)

US$1617M



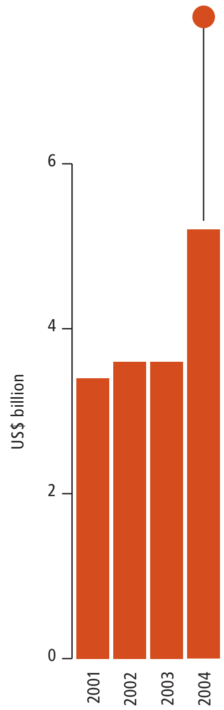
MARKET CAPITALISATION *(at 30 June)*

US$54B



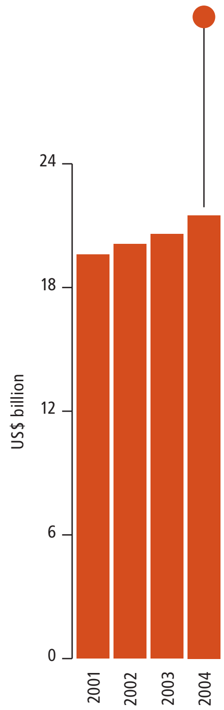
AVAILABLE CASH FLOW (1)

US$5.2B



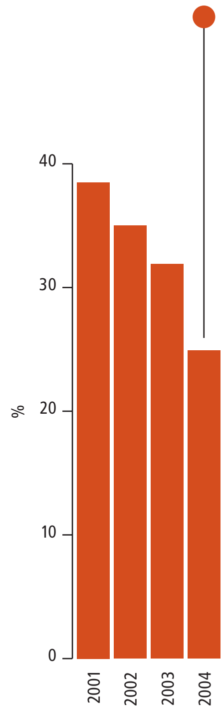
NET OPERATING ASSETS (1)

US$21.5B



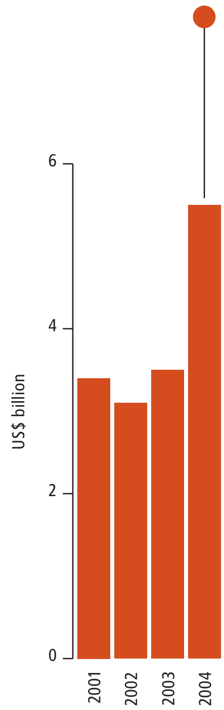
GEARING (3)

24.9%



EBIT (1)

US$5.5B



(1) From continuing operations and excluding exceptional items.
(2) Three dividends were declared for the year ended 30 June 2004, compared to two dividends declared in previous years, as a result of the Group's decision to realign dividend declaration dates to coincide with the announcements of our interim and full year results.
(3) Gearing as at 30 June 2001 and 2002 includes the Group's Steel business, which was demerged in July 2002. Gearing is net debt/(net debt + net assets).

All references to production volumes are BHP Billiton share unless noted otherwise.

CSG Assets	Principal activity	Country	BHP Billiton ownership (%)	2004 production BHP Billiton share
PETROLEUM				
Crude Oil & Condensate ('000 barrels)				
Bass Strait	Oil & gas	Australia	50.0	21 020
North West Shelf – condensate	LNG, liquids & gas	Australia	8.33-16.67	5 414
North West Shelf – Wanaea/Cossack	LNG, liquids & gas	Australia	8.33-16.67	6 155
Laminaria/Corallina	Oil	Australia	25-32.6	3 848
Griffin	Oil & gas	Australia	45.0	2 270
Pakistan	Gas & condensate	Pakistan	38.5	205
Typhoon/Boris	Oil & gas	US	50.0	5 738
Americas	Oil & gas	US & Bolivia (a)	4.95-78.8	1 739
Liverpool Bay	Oil & gas	United Kingdom	46.1	8 099
Bruce/Keith	Oil, gas & LPG	United Kingdom	16-31.83	1 651
Algeria	Oil & gas	Algeria	36.04-45	1 888
				58 027
Natural Gas (billion cubic feet)				
Bass Strait	Oil & gas	Australia	50.0	116.47
North West Shelf – Domestic	LNG, liquids & gas	Australia	8.33-16.67	15.61
North West Shelf – LNG	LNG, liquids & gas	Australia	8.33-16.67	60.84
Griffin	Oil & gas	Australia	45.0	2.97
Pakistan	Gas & condensate	Pakistan	38.5	30.30
Typhoon/Boris	Oil & gas	US	50.0	8.26
Americas	Oil & gas	US & Bolivia (a)	4.95-50	12.33
Bruce/Keith	Oil, gas & LPG	United Kingdom	16-31.83	35.41
Liverpool Bay	Oil & gas	United Kingdom	46.1	42.15
				324.34
LPG ('000 tonnes)				
Bass Strait	Oil & gas	Australia	50.0	527.99
North West Shelf	LNG, liquids & gas	Australia	8.33-16.67	124.86
Bruce/Keith	Oil, gas & LPG	United Kingdom	16-31.83	71.44
Algeria	Oil & gas	Algeria	36.04-45	129.24
				853.53
Ethane ('000 tonnes)				**94.30**
TOTAL PETROLEUM PRODUCTS (million barrels of oil equivalent)				**122.47**
Growth Opportunities				***Increased Capacity***
ROD Integrated Oil Field Development – Q4 CY04	*Oil & gas*	*Algeria*	*36.0*	*28 800 boe/day*
Mad Dog – Q4 CY04	*Oil & gas*	*US*	*23.9*	*20 700 boe/day*
Atlantis – Q3 CY06	*Oil & gas*	*US*	*44.0*	*79 200 boe/day*
North West Shelf – Mid CY04	*LNG*	*Australia*	*16.7*	*4.2 mtpa (100% basis)*
Minerva – Q4 CY04	*Gas*	*Australia*	*90.0*	*150 terrajoules/day*
Angostura – Q4 CY04	*Oil & gas*	*Trinidad & Tobago*	*45.0*	*45 000 boe/day*
(a) BHP Billiton divested of its petroleum assets in Bolivia in February 2004.				
ALUMINIUM				
Alumina ('000 tonnes)				
Worsley	Alumina refinery & bauxite mine	Australia	86.0	2 799
Paranam	Alumina refinery & bauxite mine	Suriname	45.0	918
Alumar	Alumina refinery	Brazil	36.0	507
				4 224
Aluminium ('000 tonnes)				
Hillside	Aluminium smelter	South Africa	100.0	622
Bayside	Aluminium smelter	South Africa	100.0	184
Alumar	Aluminium smelter	Brazil	46.3	156
Valesul	Aluminium smelter	Brazil	45.5	44
Mozal	Aluminium smelter	Mozambique	47.1	250
				1 256
Growth Opportunities				***Increased Capacity ('000 tonnes per annum)***
Worsley Development Capital Projects – Q1 CY06	*Alumina Refinery*	*Australia*	*86.0*	*250 (100% basis)*
Paranam – Q3 CY05	*Alumina Refinery*	*Suriname*	*45.0*	*250 (100% basis)*
Alumar Alumina Refinery – Mid CY07	*Alumina Refinery*	*Brazil*	*36.0*	*2 000 (100% basis)*
BASE METALS				
Copper ('000 tonnes)				
Concentrate				
Escondida	Copper mine	Chile	57.5	514.9
Tintaya	Copper mine	Peru	99.95	57.5
Antamina	Copper-zinc mine	Peru	33.75	91.9
Highland Valley Copper (a)	Copper mine	Canada	33.6	28.3
Selbaie (b)	Copper-zinc mine	Canada	100.0	4.1
				696.7
Cathode				
Escondida	Copper mine	Chile	57.5	86.7
Cerro Colorado	Copper mine	Chile	100.0	125.5
Tintaya	Copper mine	Peru	99.95	36.0
Pinto Valley	Copper mine	US	100.0	9.5
				257.7
Lead (tonnes)				
Cannington	Silver, lead & zinc mine	Australia	100.0	249 885
				249 885
Zinc (tonnes)				
Cannington	Silver, lead & zinc mine	Australia	100.0	53 624
Antamina	Copper-zinc mine	Peru	33.75	89 603
Selbaie (b)	Copper-zinc mine	Canada	100.0	16 011
				159 238

CSG Assets	Principal activity	Country	BHP Billiton ownership (%)	2004 production BHP Billiton share
BASE METALS continued				
Gold (ounces)				
Escondida	Copper mine	Chile	57.5	103 385
Tintaya	Copper mine	Peru	99.95	11 768
Selbaie [b]	Copper-zinc mine	Canada	100.0	7 970
Highland Valley Copper [a]	Copper mine	Canada	33.6	2 191
				125 314
Silver ('000 ounces)				
Cannington	Silver, lead & zinc mine	Australia	100.0	37 420
Escondida	Copper mine	Chile	57.5	2 445
Antamina	Copper-zinc mine	Peru	33.75	2 179
Tintaya	Copper mine	Peru	99.95	608
Highland Valley Copper [a]	Copper mine	Canada	33.6	323
Selbaie [b]	Copper-zinc mine	Canada	100.0	717
				43 692
Growth Opportunities				***Increased Capacity (tonnes per annum)***
Escondida Norte – Q4 CY05	*Copper*	*Chile*	*57.5*	*0 [c]*
Escondida Sulphide Leach – H2 CY06	*Copper Cathode*	*Chile*	*57.5*	*180 000 (100% basis)*
Escondida Coarse Particle Recovery – Q3 CY06	*Copper*	*Chile*	*57.5*	*54 000 (100% basis)*
Spence – H2 CY06	*Copper*	*Chile*	*100.0*	*200 000*
[a] BHP Billiton sold its interest in Highland Valley Copper with effect from 3 January 2004.				
[b] Production at Selbaie ceased in February 2004, in accordance with mine plan.				
[c] Maintains Escondida capacity at 1.25 million tonnes per annum (100 per cent).				
CARBON STEEL MATERIALS				
Iron Ore ('000 tonnes)				
Mt Newman	Iron ore	Australia	85.0	24 461
Mt Goldsworthy	Iron ore	Australia	85.0	5 844
Mining Area C	Iron ore	Australia	85.0	5 676
Yandi	Iron ore	Australia	85.0	34 159
Jimblebar	Iron ore	Australia	100.0	6 355
Samarco	Iron ore	Brazil	50.0	7 725
				84 220
Metallurgical Coal ('000 tonnes)				
BHP Billiton Mitsubishi Alliance	Metallurgical coal	Australia	50.0	22 534
BHP Mitsui Coal	Metallurgical coal	Australia	80.0	6 981 (100% basis)
Illawarra Coal	Metallurgical coal	Australia	100.0	5 845
				35 360
Manganese ('000 tonnes)				
Samancor	Manganese ore	Australia / South Africa	60.0	4 953 (100% basis)
Samancor	Manganese alloy	Australia / South Africa	60.0	712 (100% basis)
HBI ('000 tonnes)				
Boodarie Iron [a]	Hot briquetted iron	Australia	100.0	1 716
Growth Opportunities				***Increased Capacity ('000 tonnes per annum)***
WA Iron Ore RGP – Q4 CY04	*Iron Ore*	*Australia*	*85.0*	*10 000 (100% basis)*
Dendrobium – Mid CY05	*Metallurgical coal*	*Australia*	*100.0*	*3 600 (Clean)*
Broadmeadow Underground Coal Mine – Mid CY05	*Metallurgical coal*	*Australia*	*50.0*	*3 600 (Clean) (100% basis)*
WA Iron Ore Long Term Expansion F/S – H2 2007	*Iron Ore*	*Australia*	*85.0*	*35 000 (100% basis)*
[a] Production was suspended at Boodarie Iron following a gas explosion in May 2004.				
DIAMONDS AND SPECIALTY PRODUCTS				
Diamonds ('000 carats)				
EKATI Diamond Mine	Diamonds	Canada	80.0	5 482
Richards Bay Minerals ('000 tonnes)	Titanium Dioxide	South Africa	50.0	530 Attributable capacity
Integris Metals (million lbs)	Metals Distribution	US	50.0	676
Growth Opportunities				***Increased Capacity ('000 carats)***
Panda Underground – Early CY05	*Diamonds*	*Canada*	*80.0*	*4 700 (100% basis) over six years*
ENERGY COAL				
Energy Coal ('000 tonnes)				
Ingwe	Energy Coal	South Africa	100.0	54 253
New Mexico	Energy Coal	US	100.0	13 230
Hunter Valley	Energy Coal	Australia	100.0	8 718
Cerrejon	Energy Coal	Colombia	33.3	7 684
				83 885
Growth Opportunities				***Increased Capacity ('000 tonnes per annum)***
Klipspruit – Mid CY06	*Energy Coal*	*South Africa*	*100.0*	*6 000*
STAINLESS STEEL MATERIALS				
Nickel ('000 tonnes)				
Cerro Matoso SA	Nickel Refinery	Colombia	99.8	49.1
QNI Yabulu	Nickel Refinery	Australia	100.0	32.6
				81.7
Cobalt ('000 tonnes)				
QNI Yabulu	Nickel Refinery	Australia	100.0	1.9
Ferrochrome ('000 tonnes)				
Samancor	Ferrochrome	South Africa	60.0	1 026 (100% basis)
Growth Opportunities				***Increased Capacity ('000 tonnes per annum)***
Ravensthorpe – Q2 CY07	*Contained nickel in concentrate*	*Australia*	*100.0*	*50*
Yabulu – End CY07	*Nickel*	*Australia*	*100.0*	*45*
Yabulu – End CY07	*Cobalt*	*Australia*	*100.0*	*1.4*

PETROLEUM

	US$ million
Turnover	5 558
EBIT, excluding exceptional items	1 391
Capital and investment expenditure	952
Net operating assets	4 074

Results

Earnings Before Interest and Tax (EBIT), excluding exceptional items, were US$1391 million, compared with US$1178 million in 2003, an increase of US$213 million or 18.1 per cent.

The increase in EBIT was primarily due to stronger product prices, new production from Ohanet (Algeria) and Boris (Gulf of Mexico) and a smaller loss on exchange due to the lower appreciation of the Australian dollar. These factors were partially offset by lower oil volumes, higher price-linked costs and increased exploration expenditure.

HSEC

Our HSEC performance was mixed. Our Classified Injury Frequency Rate increased and there were several significant safety incidents but no significant environmental incidents.

Good performance was recorded in the implementation of our other HSEC measures with, for example, all our operated assets achieving ISO 14001 certification. All assets have been working towards full implementation of the Company-wide Fatal Risk Control Protocols. Assets that were audited against the HSEC Management Standards recorded good results, with overall audit scores above the Company average.

Additionally, assets developed and implemented HSEC improvement plans as a result of the audits and self-assessments against the Standards.

Efforts continued in the areas of HSEC leadership and information sharing, with the Petroleum Executive Committee members participating on HSEC Standards audits. Global protocols in health and marine operations were issued and others on the environment and HSEC cases are under development.

Markets and operations

The average oil price was US$32.24 per barrel, compared to US$28.14 last year. The average natural gas price was US$2.62 per thousand standard cubic feet compared to US$2.21 last year.

Total production was 122.5 million barrels of oil equivalent, comprising 55 per cent liquids (crude oil, condensate and LPG) and 45 per cent gas.

Oil production was 58.0 million barrels, 12 per cent lower than last year. Natural field decline from existing assets and the divestment of our Bolivian assets were partly offset by production commencing at Ohanet (Algeria) and the Boris North field (Gulf of Mexico). Gas production (excluding LNG) was 263.5 billion

cubic feet (bcf), 20 per cent higher than last year. This was due to increased demand from Bass Strait (Australia) and the commissioning of the Zamzama Phase 1 development in Pakistan. LNG production from the North West Shelf (NWS) was 60.8 bcf, 2 per cent below last year, due to lower demand in Asia.

Development activities

We pursued our growth objectives with considerable success.

Long-term contracts were signed with AGL and TXU for the sale of gas into eastern Australia and we commenced the largest drilling program in Bass Strait since the 1980s.

We announced a proposal to develop an innovative LNG receiving terminal (called Cabrillo Port) for southern California and are currently seeking regulatory and government approvals.

There were positive results in the Gulf of Mexico from the Shenzi, Neptune and Puma wells and in the Exmouth Sub-basin in Australia from the Stybarrow, Ravensworth, Crosby and Stickle wells. Our position in the Gulf of Mexico was strengthened with the acquisition of more than 90 lease blocks. We are now one of the largest leaseholders in the Gulf with interests in more than 430 blocks.

Outlook

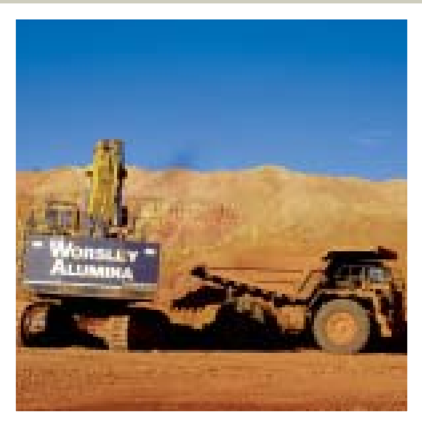
Our focus remains on delivering our development projects including ROD, Minerva, Angostura, Mad Dog, North West Shelf Train 4 and the Caesar and Cleopatra deepwater oil and gas transportation system, and we will continue working on the Atlantis development.

Exploration activity will continue in the Gulf of Mexico, Western Australia, Bass Strait and Trinidad and Tobago.

Creating fun and adventure. Plastic playground items like this tunnel slide are made with commodities supplied by our Petroleum CSG.

ALUMINIUM

1 Hillside/Bayside (South Africa)
2 Mozal (Mozambique)
3 Worsley (Australia)
4 Alumar (Brazil)
5 MRN (Brazil)
6 Paranam (Suriname)
7 Valesul Aluminio (Brazil)



	US$ million
Turnover	4 432
EBIT	776
Capital and investment expenditure	272
Net operating assets	5 309

Results

Earnings Before Interest and Tax (EBIT) were US$776 million, compared with US$581 million in 2003, an increase of US$195 million or 33.6 per cent.

This increase was due to record alumina and metal production, strong market prices and the success of continuous improvement initiatives, which contributed to capacity creep and operating efficiencies. The strong EBIT growth is pleasing as it was achieved in the face of significant increases in raw material and freight costs and the deterioration of the US dollar.

HSEC

Despite a continuing focus on safety, there were two contractor fatalities at Company-managed operations in Suriname. Improvement initiatives are centred on safety leadership, contractor management, hazard awareness and job safety analysis. Notwithstanding the tragic fatalities, our Classified Injury Frequency Rate improved by 42 per cent.

All our personnel are committed to achieving Zero Harm. Our programs on employee health, community development and the environment have received wide recognition.

Markets and operations

The aluminium market strengthened, reflecting improved supply–demand fundamentals. The average LME cash price increased from US$1436 per tonne in July 2003 to US$1698 per tonne in June 2004. Global demand improved, with Chinese growth continuing at high levels and demand improving in the US, Japan and other Asian countries. Supply curtailments in China and the US also helped market fundamentals.

The smelter-grade alumina market strengthened against a background of high global refinery utilisation rates, primarily because of Chinese demand. The Metal Bulletin spot price increased from below US$300 per tonne in July 2003 to above US$500 per tonne in early 2004, before falling below US$400 per tonne in June 2004. Weakening in the spot price towards the end of the financial year reflected expectations of a slowdown in Chinese smelting growth. Prices, however, still compare favourably with levels over recent years and historical aluminium equivalent prices.

Aluminium production was 1.26 million tonnes, compared with 1.07 million tonnes last year. The increase was mainly due to Mozal, up 116 000 tonnes to 250 000 tonnes following full commissioning of the Mozal 2 expansion project in August 2003,

and to Hillside, up 88 000 tonnes to 622 000 tonnes following completion of the Hillside 3 expansion project (fully commissioned in December 2003). The increase was partially offset by a 22 000 tonne reduction at Alumar, due to a power supply failure in July 2003.

Alumina production increased from 4.1 million tonnes to 4.2 million tonnes. Production was higher across all operations due to incremental capacity increases.

Development activities

Following completion of Mozal 2 last calendar year, Hillside 3 was completed, increasing capacity to 670 000 tonnes per year. We are now focused on maintaining benchmark operating performance at both operations and delivering additional production via Operating Excellence programs.

A new 20-year electricity contract was signed at Alumar, underpinning its long-term viability.

Progress continues on the 250 000 tonnes per annum expansion of the Paranam alumina refinery in Suriname, which will increase capacity to 2.2 million tonnes (100 per cent basis) by mid 2005. Development capital projects were commenced at Worsley at a cost of US$192 million (US$165 million BHP Billiton share). These are aimed at increasing capacity by 250 000 tonnes per annum (215 000 tonnes per annum BHP Billiton share) to 3.5 million tonnes per annum (3 million tonnes per annum BHP Billiton share) and are due for completion by mid 2006. Studies into the viability of further expansions at Worsley and expansion of Alumar from 1.3 million tonnes to 3.3 million tonnes (100 per cent basis) are also being undertaken.

Outlook

Our prime focus is the safe, productive and cost-effective operation of our assets. We aim to capitalise on the economic expansion potential within our asset portfolio and to continuously improve the physical and financial performance of all our operations.

In addition, we are continuing to review new opportunities in both smelting and refining.

Creating connections. Taking us places today are aeroplanes made with strong, lightweight materials supplied by our Aluminium CSG.

BASE METALS

1 Cannington (Australia)
2 Antamina (Peru)
3 Cerro Colorado (Chile)
4 Escondida (Chile)
5 Tintaya (Peru)

	US$ million
Turnover	3 422
EBIT, excluding exceptional items	1 156
Capital and investment expenditure	225
Net operating assets	3 272

Results

Earnings Before Interest and Tax (EBIT), excluding exceptional items, were US$1156 million, compared with US$286 million in 2003, an increase of US$870 million.

Higher copper, silver, lead and zinc prices improved EBIT as did production volumes. Escondida and Cannington achieved record concentrate production and Tintaya achieved record cathode production. This was partly offset by higher input costs, mainly due to the stronger Australian dollar and Chilean peso, as well as higher mining and maintenance costs.

During the year, the Group refined its plans in relation to certain closed operations, resulting in an exceptional charge. Further details are included in the Financial Review on page 66 of this Report.

HSEC

Our Classified Injury Frequency Rate fell 35 per cent, a positive development sadly overshadowed by three contractor fatalities. Contractor management represents a significant challenge to achieving Zero Harm. We are addressing this through initiatives such as Escondida's Supplier Development Program that helps contractors implement best practice HSEC management systems.

We began consolidating our HSEC functions and developing internal networks for safety, health and sustainable development. Our second annual survey of communities was again a valuable tool. Tintaya's signing of a Framework Development Agreement with its host province has raised social responsibility standards for Peruvian mining.

Markets and operations

Recovery in the US and Japanese economies and robust growth in China led to improved demand for our products, particularly copper. For the twelve months ended 30 June 2004, the average LME cash copper price was US$1.06/lb compared to US$0.72/lb for the same period a year earlier. Total refined copper exchange inventories fell nearly 780 000 tonnes (75 per cent). Exchange lead stocks decreased by nearly 130 000 tonnes (74 per cent).

The concentrates markets remained tight, with annual contract treatment and refining charges at low levels. With copper mine supply increasing, charges are likely to rise during fiscal 2005.

The improved copper market allowed Tintaya sulphide operations to resume in August 2003 and Escondida, from December 2003, to ramp up towards full capacity. Water issues identified at Escondida during the ramp-up are being resolved. Lake sediment

at Antamina has been removed, exposing higher-grade copper ore. In total, 954 000 tonnes of copper were produced at an average cash (C1) cost of approximately 45 US cents per pound. Cannington broke production records for silver (37 million ounces) and lead (250 000 tonnes).

Portfolio management saw the sale of our interest in the Highland Valley Copper (Canada) and Robinson (US) mines and end-of-life closure of the Selbaie mine (Canada).

The governments of Chile and Peru have proposed introducing royalties (up to 3 per cent of gross sales) on mining operations. Our foreign investment contracts provide for tax stability and non-discrimination and this underlies our discussions with authorities in these countries.

Development activities

The US$400 million (US$230 million BHP Billiton share) Escondida Norte project was approved and pre-mine stripping/construction commenced. The Norte Pit will provide 85 000 tonnes per day of ore to the two concentrators by September 2005.

The US$870 million (US$500 million BHP Billiton share) Escondida Sulphide Leach project was also approved. Run-of-mine heap leaching of low-grade material will produce 180 000 tonnes (103 500 tonnes BHP Billiton share) of copper cathode per year from mid 2006. A review into the feasibility of the 200 000 tonnes per year Spence SX-EW copper project continues. The Alliance Copper joint venture with Chile's state-owned Codelco saw the US$50 million prototype plant commissioned and operating (capacity 20 000 tonnes per year). The Escondida Coarse Particle Recovery project, with potential to recover 54 000 tonnes per year of additional copper, progressed through the pre-feasibility review.

Outlook

We will continue to focus on safety and efficiency while maximising production to meet demand. All sites will build on gains made towards achieving Zero Harm and reducing costs and increasing productivity. To be closer to core operations, our headquarters are in the process of relocating to Santiago, Chile.

Creating opportunities for learning. Components in many computers are made from commodities supplied by our Base Metals CSG.

CARBON STEEL MATERIALS

1. Samancor Manganese (South Africa)
2. Queensland Coal (Australia)
3. Boodarie Iron (Australia)
4. GEMCO (Australia)
5. Illawarra Coal (Australia)
6. WA Iron Ore (Australia)
7. TEMCO (Australia)
8. Samarco (Brazil)

	US$ million
Turnover	4 857
EBIT	1 137
Capital and investment expenditure	662
Net operating assets	3 026

Results

Earnings Before Interest and Tax (EBIT) were US$1137 million, compared with US$1045 million in 2003, an increase of US$92 million or 8.8 per cent.

The results were enhanced by higher prices for all commodities and record production and shipments from the Western Australian iron ore, Queensland coal and Australian manganese ore operations. This was offset by the impact of the stronger Australian dollar and inflationary pressures on operating costs in Australia and South Africa.

HSEC

With great sadness we report that three fatalities occurred as a result of three unrelated accidents at the Western Australian iron ore operations. Efforts to achieve Zero Harm across the entire business have been intensified. Our thoughts remain with the families and friends of our employees who lost their lives or were injured in these accidents.

We implemented several sustainable development initiatives, including further development of community partnership programs in Australia and the Kotulong Community Centre in South Africa.

Markets and operations

Global steel production topped one billion tonnes for the first time, with China becoming the largest steel consumer, importer and producer. This growth had a significant flow-on effect on our operations.

For the fifth consecutive year, Western Australian iron ore production and shipments reached record levels. Iron ore prices reflected the strong market conditions, increasing by 19 per cent.

Market conditions also led to record production and sales of Queensland coal. However, lower production and sales were recorded at Illawarra Coal due in part to poor ground conditions. This was offset by the 28 per cent (average) price increase we secured across our suite of metallurgical coals.

A global shortage of manganese units, partly driven by Chinese demand, resulted in increased prices and underwrote strong production of manganese ores, including record production and shipments at the Australian operations. Increased prices and sales were also recorded for manganese alloys.

Production of 1.716 million tonnes of hot briquetted iron by Boodarie Iron was 3 per cent higher. However, following a fatal accident in May 2004, all production was suspended and will remain so until an investigation is completed and we are certain the plant is both safe and economically viable.

Development activities

The Area C and Port and Capacity Expansion iron ore projects in Western Australia were completed ahead of schedule and under budget.

Further expansions are currently underway to increase iron ore capacity to 110 million tonnes per year (100 per cent basis) by the end of 2004. In addition, a feasibility study has commenced into a longer-term capacity expansion to 145 million tonnes per year (100 per cent basis).

We announced our largest-ever commercial agreement with four of China's leading steel mills, with iron ore sales expected to total US$9 billion over the next 25 years.

Development of the Dendrobium coal mine in New South Wales and the Broadmeadow coal mine in Queensland are on track, with longwall commencement expected for both in mid 2005.

We have also commenced work on a number of smaller brownfields projects at these operations to increase capacity in line with market demand, and have progressed work on the Maruwai coal discovery in Kalimantan, Indonesia.

Outlook

Continued strong market conditions for steelmaking raw materials will be driven primarily by further strong demand from China. Accordingly, the focus will be on maintaining our market position within growing markets and putting initiatives in place to sustain this position over the longer term.

Our prime objectives are continued improvement in safety performance, realising cost and production efficiencies globally and delivering all projects on time and within budget.

Creating landmarks. All types of contemporary structures are built with the steel made from iron ore supplied by our Carbon Steel Materials CSG.

DIAMONDS AND SPECIALTY PRODUCTS

1 Johannesburg (South Africa)
2 Richards Bay Minerals (South Africa)
3 Brisbane (Australia)
4 Melbourne (Australia)
5 Newcastle (Australia)
6 Antwerp (Belgium)
7 EKATI (Canada)
8 Integris Metals (US)
9 Vancouver (Canada)

1, 5: Technology Centres
3, 4, 9: Minerals Exploration Offices
6: Diamonds Marketing

	US$ million
Turnover	1 710
EBIT	410
Capital and investment expenditure	188
Net operating assets	1 521

Results

Earnings Before Interest and Tax (EBIT) were US$410 million, compared with US$299 million in 2003, an increase of US$111 million or 37.1 per cent.

The increase in EBIT was mainly attributable to higher volumes and prices from our diamonds and metals distribution businesses and a US$37 million profit on the sale of a non-core royalty interest. Year on year, diamond sales volumes were up 8 per cent and the average per carat value sold was up 27 per cent, as a result of the processing of high-grade ore at our EKATI operation and a stronger market. Unit operating costs at the EKATI mine were also 3 per cent lower, driven by a successful business improvement program.

Lower volumes in our titanium business and the impact of a strong South African rand negatively impacted results from Richards Bay Minerals.

HSEC

Our Classified Injury Frequency Rate was down 25 per cent. We also recorded a 6 per cent reduction in energy use, primarily due to the Energy Smart program at EKATI Diamond Mine. Another highlight was ISO 14001 certification of our EKATI operation.

Our strong community performance continues to be acknowledged and our diamond business was recognised as one of Canada's top 100 employers for the third consecutive year.

Markets and operations

The rough diamond market was very strong, particularly over the last six months, and prices are currently at all-time highs. Across the industry, supply is limited and there are few new projects in the pipeline. We have continued to successfully promote the Canadian origin of our EKATI stones through our CanadaMark™ brand. Branded Canadian diamonds are in demand and attract premium prices. Diamond sales were 4.3 million carats, an increase of 8 per cent over last year.

Richards Bay Minerals' production of titanium dioxide in the form of chloride slag was down by 12.5 per cent and is still well below capacity. Markets are currently in oversupply and are expected to continue so for the medium term.

Integris Metals, our US metals distribution business, started the year slowly but activity increased substantially at the beginning of this calendar year. Total sales were 676 million pounds of primarily stainless steel and aluminium, an increase of 2.5 per cent.

Development activities

The US$182 million (US$146 million BHP Billiton share) Panda Underground project was approved to partially offset declining diamond quality at the EKATI mine. A feasibility study is also being undertaken for the Koala underground mine, which should be considered for approval in the last half of calendar year 2005.

Our Minerals Exploration Group continues to focus on discovering world-class diamond, copper, nickel, iron ore, bauxite and coal deposits of a meaningful scale. We seek to combine strong technical capability, proprietary technology and extensive partnering with junior exploration companies to reduce risk in early-stage exploration, while maximising exposure to world-class discoveries per dollar of expenditure.

Exploration continued to be encouraging at the Northern Whale project in Nunavut, Canada where we identified several diamond-bearing pipes and are proceeding with bulk sampling. Activity will be high during the Northern Hemisphere summer. Good drilling results were also obtained near the Candelaria mine in Chile. Our airborne gravity survey tool, FALCON™, continues to identify attractive targets in a number of areas of the world.

Our Technology group develops evolutionary and 'revolutionary' technology that will provide significant competitive advantage and growth options for our business units. The recently approved Ravensthorpe nickel project includes a substantial portion of our in-house atmospheric leach process in the design. We are also looking to apply our whole-of-ore chalcopyrite leach process to a commercial-scale copper project. The development of our proprietary process for the low-cost production of titanium metal continues to be on track.

Outlook

Our focus will be on advancing the underground projects at EKATI, expanding our diamond branding activities and continuing to reduce production costs.

Exploration's priority is to complete our large drilling and sampling programs for diamonds in the Canadian East Arctic, to progress promising base metals targets in Chile and Pakistan and to generate success with our various FALCON™ and other partner and sole funded programs.

Creating special moments. Valued jewellery items are made with the precious stones supplied by our Diamonds and Specialty Products CSG.

ENERGY COAL

1 Queensland Coal (Australia)
2 Illawarra Coal (Australia)
3 Ingwe (South Africa)
4 Hunter Valley Energy Coal (Australia)
5 PT Arutmin (Indonesia)
6 New Mexico Coal (US)
7 Cerrejon (Colombia)

1, 2 & 5: Marketing agents for energy coal output

	US$ million
Turnover	2 569
EBIT	234
Capital and investment expenditure	141
Net operating assets	2 194

Results

Earnings Before Interest and Tax (EBIT) were US$234 million, compared with US$198 million in 2003, an increase of US$36 million or 18.2 per cent.

The increase was due to a significant improvement in export prices, which was partially offset by the impact of the stronger South African rand and Australian dollar, inflationary pressures on operating costs and a reduction in export volumes from South Africa.

HSEC

We continued to strengthen our overall HSEC activities with ongoing emphasis on achieving Zero Harm. The focus on safety saw improvements in key leading indicators and the Classified Injury Frequency Rate improved by 4.4 per cent.

Despite this, there were three fatalities at Ingwe's Koornfontein Mine in South Africa. As a result of these tragedies, there has been a step change in contractor management performance and the introduction of Life Saving or Cardinal Rules throughout our operations.

There were overall improvements in health, environment and community programs and the focus on achieving Company targets produced many benefits. Cerrejon in Colombia progressed a number of initiatives aimed at enhancing its relations with local communities.

We also continued to be active in sustainable development projects through participation in Clean Coal programs, such as Coal 21 with the Australian Coal Association.

Markets and operations

Strong demand, initially in the Atlantic market and subsequently in the Pacific market, resulted in a price rally after September 2003. Free On Board (FOB) prices for sales from South Africa averaged US$31.96 per tonne, a 27 per cent increase, with significant price increases also achieved for sales from Australian and Colombian operations. The average realised price was impacted by fixed price legacy contracts agreed in the prior year, with the remaining legacy contracts predominantly being completed by December 2005. The market continued to demonstrate short-term price volatility.

Production was 83.9 million tonnes, an increase of 2.7 per cent. Production increases in Colombia and in the Hunter Valley, Australia, in line with expansion of these operations, were partially offset by lower production at New Mexico Coal's Navajo mine in the US due to the customer's planned shutdown of its

major generator for maintenance. In South Africa, reduced export production, predominantly from Koornfontein following safety improvement interventions, was offset by increased local utility production, particularly from Khutala.

Ingwe's business improvement project focused on both productivity improvement and cost reduction, thereby mitigating some of the adverse currency movements. Cerrejon continued to deliver significant cost and capital efficiency benefits from its business improvement project.

Development activities

We continued to concentrate on delivering all approved projects and investigating opportunities to reinforce our low-cost supply position and increase access to higher growth markets.

The expansion of the Cerrejon operation to 28 million tonnes per year is ahead of schedule and below budget. This is mainly due to the business improvement project, which enhanced operational efficiency and reduced expansion capital requirements.

The more substantial aspects of the Mount Arthur North project in the Hunter Valley were completed ahead of schedule and below budget. Remaining activity relates to expansion of production through the acquisition of mobile plant.

In South Africa, in a proposed joint venture with Anglo American, Ingwe will investigate an expansion incorporating the development of the Klipspruit project. Both Ingwe's Boschmanskrans and Kwagga projects were completed ahead of time and in line with budget.

Studies to provide incremental expansions of our operating mines are ongoing.

Outlook

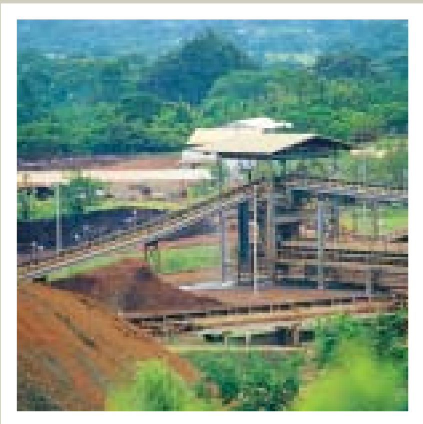
We aim to develop our competitive position through cost management, innovative marketing practices and volume growth in line with market conditions, in order to enable improved margins in the face of continuing short-term currency and price volatility.

The key objectives are continued safety improvement, maintaining the momentum of business improvement initiatives targeting cost reduction and operational efficiencies, delivering our projects in line with expectations and progressing further development opportunities.

Creating spectacles. Stadiums are brought to life with electricity generated from thermal coal supplied by our Energy Coal CSG.

STAINLESS STEEL MATERIALS

1 Samancor Chrome (South Africa)
2 QNI Yabulu Refinery (Australia)
3 Ravensthorpe (Australia)
4 Cerro Matoso (Colombia)



	US$ million
Turnover	1 749
EBIT, excluding exceptional items	571
Capital and investment expenditure	151
Net operating assets	1 823

Results

Earnings Before Interest and Tax (EBIT), excluding exceptional items, were US$571 million, compared with US$150 million in 2003, an increase of US$421 million.

Major contributing factors included higher realised prices for nickel (2004 – US$5.49/lb; 2003 – US$3.46/lb), and ferrochrome, higher production volumes and minor asset sales. These were partially offset by the impact of higher oil and coking coal prices, increased reductant costs and the stronger South African rand and Australian dollar.

HSEC

Tragically, six people died in separate accidents at our Samancor Chrome operations. That these fatalities occurred despite considerable efforts to implement a comprehensive safety improvement strategy was cause for the gravest concern. Management took the unprecedented step of closing all five Samancor Chrome sites for up to three weeks, with all employees and contractors completing intensive safety training. This was followed by a continuing aggressive safety program.

The dedication of all managers, supervisors, employees, contractors and unions to make and sustain a radical change is evidence of the importance they place on creating a safe workplace. Initial results from the program have been positive.

Environmental programs continued to focus on implementing water and energy management initiatives.

Markets and operations

With global stainless steel production growing 7 per cent, demand for primary nickel and ferrochrome continued to grow strongly, despite greater stainless steel scrap availability.

A tight demand–supply balance and the perception that this will continue in the medium term drove nickel prices to a 14-year high in December 2003. Primary nickel demand, led by strong growth in China and a tight global stock position, kept prices higher. Ferrochrome demand also increased but price rises were offset by a stronger South African rand, and increased reductant and freight costs.

Cerro Matoso's ferronickel production of 49 100 tonnes was a new record, resulting from continued operational improvement

initiatives. QNI Yabulu Refinery also posted a new annual production record of 32 590 tonnes. The operation continued to build on operating efficiency gains, with higher nickel and cobalt recoveries, and also benefited from higher ore grades. Favourable nickel prices were coupled with strong cobalt prices. These were offset by higher oil prices and a stronger Australian dollar. Ore supply costs rose, as these are related to nickel and cobalt prices.

Safety remains the main focus of the restructuring program at Samancor Chrome. Efficiency improvement efforts, aimed at reducing costs and raising production, are now shifting from furnaces to mines.

Development activities

The US$1.05 billion Ravensthorpe Nickel Project was approved for development. This project includes development of a 13 million tonnes per year mine and treatment plant near Ravensthorpe, Western Australia, to produce a mixed nickel-cobalt hydroxide product (MHP). The US$350 million Yabulu Extension Project, also approved for development, will expand the metal refining section of the QNI Yabulu Refinery in Queensland to process up to 220 000 tonnes of MHP. It will boost nickel production by 44 800 tonnes per annum (140 per cent) and cobalt by 1400 tonnes per annum (70 per cent).

Outlook

Continued growth in underlying demand for stainless steel and delays in major new competitive nickel projects make for a positive outlook.

With primary nickel production globally running at full capacity and with stocks low, pressure on prices should be maintained. In addition to strong demand, the strength of the South African rand is expected to remain a key influence on ferrochrome prices.

Our focus remains on improving safety performance and enhancing our position as a supplier of quality raw materials to the expanding stainless steel industry, with continuously improving performance and margins.

Creating innovative environments. The gleaming cladding on escalators can be made from chrome supplied by our Stainless Steel Materials CSG.

'When we demonstrate the creation of value across all facets of our business and confidently provide a workplace that delivers Zero Harm, we will be truly successful'

Chip Goodyear, Chief Executive Officer

Right: BHP Billiton Iron Ore employees Ryan Cassidy (front) and Jesse Oxenham at Port Hedland, Western Australia. See case study 33 in our Full HSEC Report.

Creating value is a concept that is central to our Charter and therefore our business at BHP Billiton. Value in the purely financial sense is not our only measure of success. As our Charter states, we also have an 'overriding commitment to health, safety, environment responsibility and sustainable development'. Thus to be truly successful we need to deliver value across all our business facets.

Efforts made to pursue Zero Harm in our organisation have been extensive and in many instances successful; however, we are deeply saddened to report that 17 fatalities occurred at our controlled operations and activities. The impact of these incidents on our people, their families and friends is deep and profound, and we offer our sincere condolences to all impacted by these tragic events. We are determined to eliminate fatalities from all our operations, and we will not be satisfied until this is achieved. These incidents have increased our resolve and reinforced our dedication to the work and challenges before us.

The implementation of our Fatal Risk Control Protocols, introduced in April 2003, continued across the organisation. An additional Protocol is to be implemented early in the new financial year. This covers lifting activities with cranes and was developed following further analysis of the fatal risks. It is planned that full compliance with the requirements of the Protocols will be achieved throughout the Group by 30 June 2005. The implementation of the Protocols has resulted in some benefits already and there are documented instances of people surviving accidents due to the insistence on minimum standards for light vehicles. Another positive sign is that during the year our Classified Injury Frequency Rate reduced, resulting in an overall reduction to date of 26 per cent against the baseline.

To help us better understand and manage HSEC risks that are critical to our business, risk registers are in place and being maintained at all sites and at Customer Sector Group and Corporate levels of the Company, in line with our HSEC target. Work was also undertaken to better align HSEC risk assessment processes with our Enterprise-Wide Risk Management processes to improve the efficiency of assessments.

Employee health and associated occupational illness remain key focus areas. The control of employee exposures to and a reduction of occupational illnesses are the thrust of our Company health targets. Baseline health surveys were completed at 98 per cent of required sites, incorporating the establishment of occupational hygiene monitoring and health surveillance programs. While we have seen an increase in measured occupational exposure to noise during the year, this is largely an outcome of better systems being implemented for determining and monitoring employee exposures. It should be noted that the measure of occupational exposure does not take into account the wearing of personal protective equipment to mitigate against any potential exposures. We also introduced Company-wide exposure standards during the reporting period, many of which are more stringent than those required by local legislation. The targets will be revised during the coming year to further focus on reductions in employee exposure. Recognising the importance of the health of the communities in which we operate, we are also now supporting the Medicines for Malaria Venture, which has been established through the World Health Organisation with the aim of developing affordable anti-malarial drugs for people in the disease-endemic countries.

While environmental performance across the Company generally continued to be sound, regrettably two significant environmental incidents (i.e., incidents rated 3 or above on the BHP Billiton Consequence Severity Table) were reported. These related to acid water seepage that resulted in the release of poor-quality water outside the containment system at our now closed Selbaie base metals mine in Canada. An action plan has been put in place to fully contain subsequent seepage.

In line with our target, all required sites have retained ISO 14001 certification for environmental management systems. Energy conservation plans and greenhouse gas management programs are in place at all required sites. Water management plans and land management plans are in place at 98 per cent of required sites, and waste minimisation programs are in place at 97 per cent of required sites. Life cycle assessments have been completed for all our major minerals products.

Because we operate in a diverse range of countries and cultures around the world, working effectively with these different communities is a task that requires time, resources and expertise. We are increasingly aware that we must build our people's capability within the Company so that they have the skills to build strong relationships with the different community groups with which they interact. To this end, community relations plans are in place at 98 per cent of required sites. Our community contributions of 1.3 per cent of our pre-tax profit, based on a rolling three-year average, once again exceeded the target of 1 per cent. Many of these contributions support programs that focus on delivering sustained benefits in areas such as community welfare, education and health. No transgressions of the principles embodied within the United Nations Universal Declaration of Human Rights were identified within the Group during the year.

Some of our improvements in HSEC performance have been realised through the application of the Operating Excellence business improvement methodology. Many of these applications have not only demonstrated HSEC gains but have also delivered sustainable business outcomes. For example, our Yabulu Nickel Refinery in Australia has identified and prioritised projects that offer potential environmental and economic benefits. Under their Yabulu Optimisation Initiative, three projects, specifically aimed at energy and water re-use with the added benefit of increased cobalt recovery, have been commissioned.

During the year, we have been active in the International Council on Mining and Metals (ICMM) work program. The ICMM was established in 2001 as a global leadership body on sustainable development. The focus has been on establishing a minerals sector supplement to the Global Reporting Initiative's Sustainability Reporting Guidelines. The process has been one of multi-stakeholder engagement, with the sector supplement expected to be finalised in the coming year.

We have again included within our Full HSEC Report a progress assessment against the principles contained in the United Nations Global Compact. While fully recognising the right of our employees to freely associate and join trade unions, we have a number of locations where we have a mix of collective and individual arrangements. Prospective employees are made aware of employment arrangements prior to joining the Company. At all times, our businesses comply with local employment law requirements and treat employees in accordance with the values expressed in our Charter.

Over the year, we received recognition for our performance in a number of areas. We received an award recognising Business Excellence for Innovation from the Global Business Coalition on HIV/AIDS, the pre-eminent organisation leading the business fight against the AIDS pandemic. Our work in Australia with indigenous, environmental, health and cultural organisations was recognised with a Special Award in the Australian Prime Minister's 2003 Awards for Excellence in Community Business Partnerships. At the Australasian Reporting Awards we received the Best Occupational Health and Safety Award, and the Association of Certified Chartered Accountants (Australia and New Zealand) awarded us for Best Environment Report. Other notable events included being judged Sector Leader in the UK Business in the Environment Index and maintaining our inclusion in the Dow Jones Sustainability Index and the FTSE4Good Index.

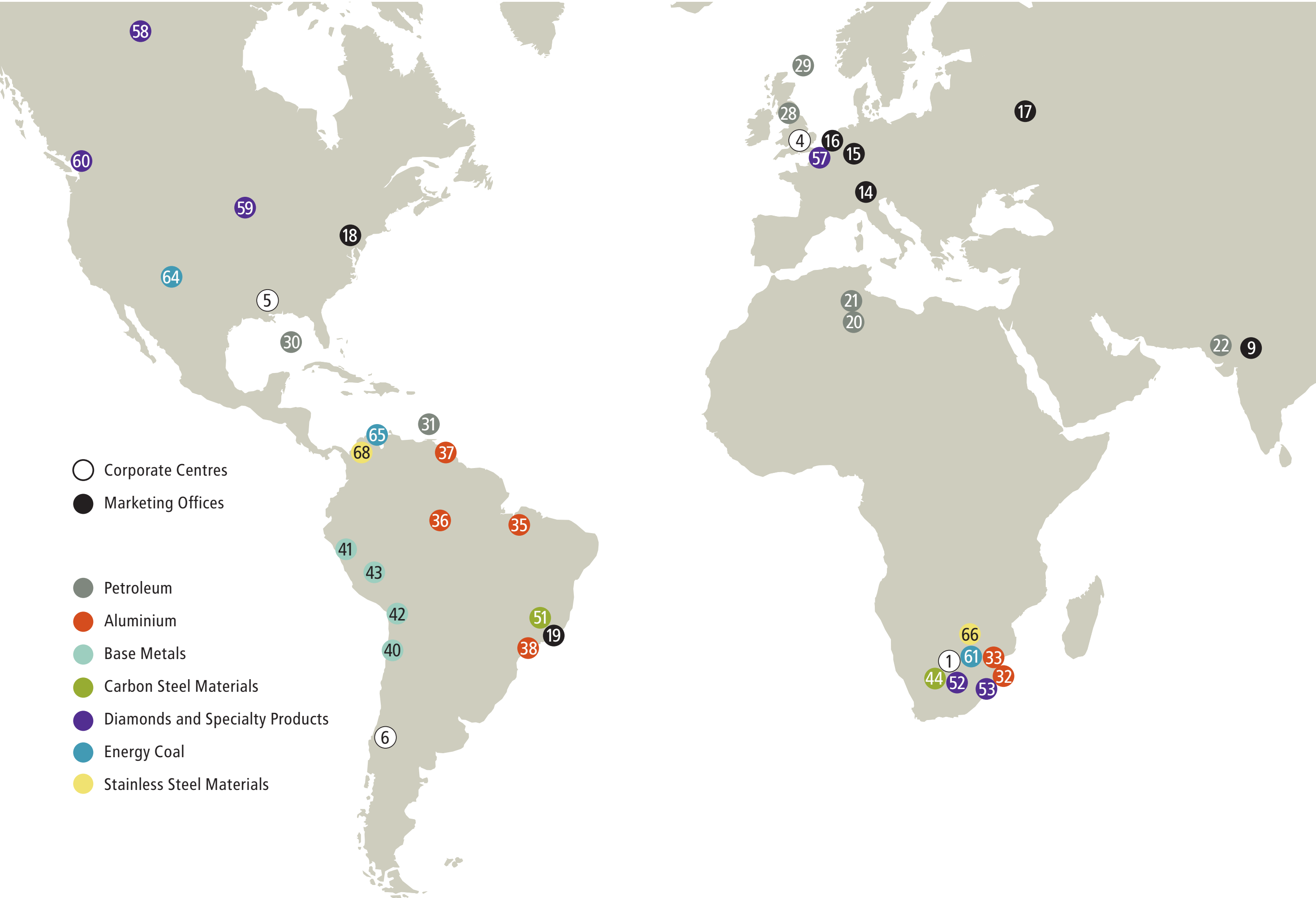
Our internal HSEC Awards program has again been highly successful in recognising outstanding HSEC performance and innovation. The program, which attracted an increased number of applications from across the Company, provides a strong indicator of the extent to which individuals within our operations are contributing to our sustainability aspirations.

The Full HSEC Report was prepared in accordance with the Global Reporting Initiative (GRI) 2002 Sustainability Reporting Guidelines. It should be recognised that, due to the size and complexity of our business, judgements have had to be made regarding the extent of the information that can be presented in relation to each GRI indicator.

One of our great strengths is our diversity and the commitment of our people to continuously look for ways to improve all aspects of our business. Looking ahead, we aim to continue improving our HSEC performance, working together for a sustainable future for the benefit of our shareholders and other stakeholders.

Our Full HSEC Report can be viewed at http://hsecreport.bhpbilliton.com/2004/index.asp

BHP BILLITON LOCATIONS



Our diversification across countries, commodities and markets helps distinguish us from other resource companies. BHP Billiton has some 35 000 employees working in more than 100 operations in around 20 countries.

CORPORATE CENTRES

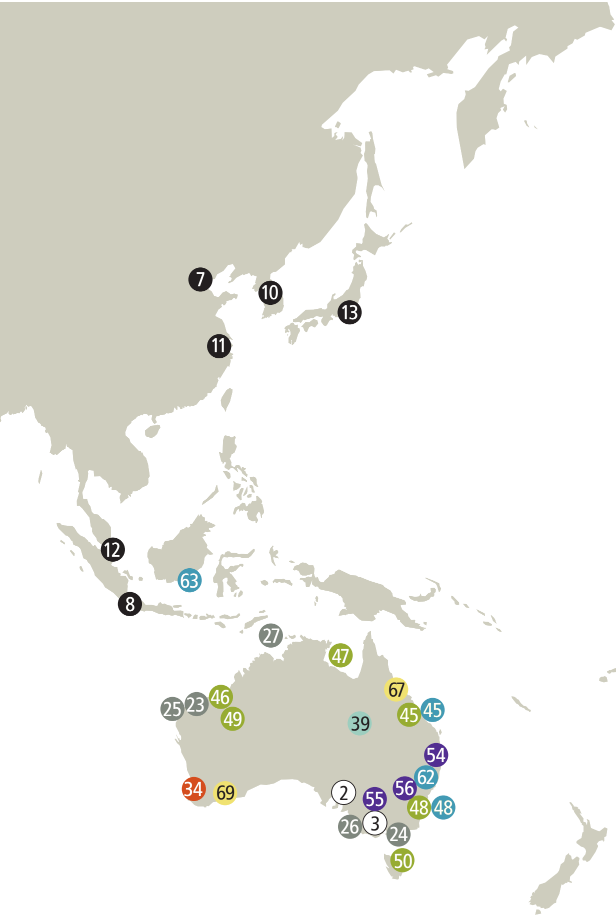
Ref	Continent	Location
1	Africa	Johannesburg
2	Australia	Adelaide
3	Australia	Melbourne (Global Headquarters)
4	Europe	London
5	North America	Houston
6	South America	Santiago

MARKETING OFFICES

Ref	Continent	Location
7	Asia	Beijing
8	Asia	Jakarta
9	Asia	New Delhi
10	Asia	Seoul
11	Asia	Shanghai
12	Asia	Singapore
13	Asia	Tokyo
14	Europe	Baar
15	Europe	Essen
16	Europe	The Hague
17	Europe	Moscow
18	North America	Pittsburgh
19	South America	Rio de Janeiro

PETROLEUM

Ref	Continent	Site/Asset	Description	Ownership
20	Africa	Ohanet, Algeria	Joint operator with Sonatrach of wet gas development	45%
21	Africa	ROD Integrated Development, Algeria	Onshore oil project	36.04%
22	Asia	Zamzama, Pakistan	Operator of onshore gas development	38.5%
23	Australia	North West Shelf, Australia	One of Australia's largest resource projects, producing liquids, LNG and domestic gas	8.33–16.67%
24	Australia	Bass Strait, Australia	The Bass Strait operations produce oil condensate, LPG, natural gas and ethane	50%
25	Australia	Griffin, Australia	Operator of oil and gas project offshore WA	45%
26	Australia	Minerva, Australia	Gas field under development in the Otway Basin	90%
27	Australia	Laminaria/ Corallina, Australia	Oil production in the Timor Sea	25–32.6%
28	Europe	Liverpool Bay, UK	Operator of oil and gas development in the Irish Sea	46.1%
29	Europe	Bruce/Keith, UK	Oil and gas production in the UK North Sea	16–31.83%
30	North America	Gulf of Mexico, US	Interests in five producing assets, the Mad Dog and Atlantis developments, and exploration interests	4.95–100%
31	South America	Trinidad and Tobago	Operator of the Angostura oil field, under development	45%
–	Various	Exploration	Exploration interests in South Africa, Brunei, Brazil, Australia, US, Trinidad and the UK	–



CARBON STEEL MATERIALS

Ref	Continent	Site/Asset	Description	Ownership
44	Africa	Samancor Manganese, South Africa	Integrated producer of manganese alloys and ferroalloys	60%
45	Australia	Queensland Coal, Australia	World's largest supplier of high-quality metallurgical coal for steel production	50–80%
46	Australia	Boodarie Iron, Australia	Hot briquetted iron plant	100%
47	Australia	GEMCO, Australia	Producer of manganese ore (part of Samancor)	60%
48	Australia	Illawarra Coal, Australia	Four underground coal mines	100%
49	Australia	WA Iron Ore, Australia	The Pilbara iron ore mines rank among the world's best long-life iron ore assets	85–100%
50	Australia	TEMCO, Australia	Producer of manganese alloys (part of Samancor)	60%
51	South America	Samarco, Brazil	An efficient low-cost producer of iron ore pellets	50%

DIAMONDS AND SPECIALTY PRODUCTS

Ref	Continent	Site/Asset	Description	Ownership
52	Africa	Johannesburg, South Africa	Technology Centre	100%
53	Africa	Richards Bay Minerals, South Africa	World's largest producer of titanium slag	50%
54	Australia	Brisbane, Australia	Mineral Exploration Office	–
55	Australia	Melbourne, Australia	Mineral Exploration Office	–
56	Australia	Newcastle, Australia	Technology Centre	100%
57	Europe	Antwerp, Belgium	Diamonds marketing	100%
58	North America	EKATI, Canada	Diamond mine in the Northwest Territories of Canada	80%
59	North America	Integris Metals, US	Metals distribution	50%
60	North America	Vancouver, Canada	Mineral Exploration Office	–

ALUMINIUM

Ref	Continent	Site/Asset	Description	Ownership
32	Africa	Hillside/Bayside, South Africa	Two aluminium smelters	100%
33	Africa	Mozal, Mozambique	Aluminium smelter	47.1%
34	Australia	Worsley, Australia	Integrated alumina refinery/ bauxite mine	86%
35	South America	Alumar, Brazil	Alumina refinery and aluminium smelter	36–46.3%
36	South America	MRN, Brazil	Bauxite mine	14.8%
37	South America	Paranam, Suriname	Alumina refinery and bauxite mines	45%
38	South America	Valesul Aluminio, Brazil	Aluminium smelter	45.5%

BASE METALS

Ref	Continent	Site/Asset	Description	Ownership
39	Australia	Cannington, Australia	Silver, lead and zinc mine in north-west Queensland	100%
40	South America	Escondida, Chile	The world's largest copper mine, located in northern Chile	57.5%
41	South America	Antamina, Peru	Large copper-zinc mine	33.75%
42	South America	Cerro Colorado, Chile	Copper mine in northern Chile, producing cathode copper through a SX-EW leach operation	100%
43	South America	Tintaya, Peru	Produces copper concentrate and copper cathode within the 'Skarn Belt' of south-eastern Peru	99.95%

ENERGY COAL

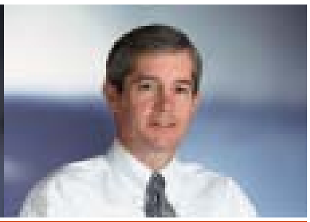
Ref	Continent	Site/Asset	Description	Ownership
45	Australia	Queensland Coal, Australia	Marketing agent for energy coal output	–
48	Australia	Illawarra Coal, Australia	Marketing agent for energy coal output	–
61	Africa	Ingwe, South Africa	Largest coal producer in South Africa	100%
62	Australia	Hunter Valley Energy Coal, Australia	New 12mtpa mine (Mt Arthur Coal) ramping up	100%
63	Asia	PT Arutmin, Indonesia	Exclusive agent for coal output	–
64	North America	New Mexico Coal, US	Mine-mouth operations	100%
65	South America	Cerrejon, Colombia	Largest coal producer in Colombia	33.3%

STAINLESS STEEL MATERIALS

Ref	Continent	Site/Asset	Description	Ownership
66	Africa	Samancor Chrome, South Africa	Integrated producer of chrome ores and ferrochrome comprising mines and chrome alloy plants in South Africa	60%
67	Australia	QNI Yabulu Refinery, Australia	The Yabulu refinery is one of the world's major laterite nickel-cobalt processing plants	100%
68	South America	Cerro Matoso, Colombia	Integrated ferronickel mining and smelting complex in north Colombia	99.8%
69	Australia	Ravensthorpe, Australia	Nickel mine and processing facility currently in development	100%

BOARD OF DIRECTORS

Don Argus



Charles Goodyear

David Brink

John Buchanan

Michael Chaney

David Crawford

Don Argus
AO, FAIB, FCPA, FAICD, 66

Don Argus brings to the Chairmanship of BHP Billiton considerable experience in international business and a strong management background.

Appointed a Director of BHP Limited in November 1996 and Chairman in April 1999. Chairman of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Nomination Committee. Former Managing Director and Chief Executive Officer of the National Australia Bank Limited. He is Chairman of the Brambles Group and a Director of the Australian Foundation Investment Company Limited. He is also a member of the International Advisory Council of Allianz Aktiengesellschaft.

Charles Goodyear
BSc, MBA, FCPA, 46

Charles Goodyear joined the Group as Chief Financial Officer in 1999. He was appointed to the Boards of BHP Billiton Limited and BHP Billiton Plc in November 2001 and as Chief Executive Officer in January 2003. A member of the Health, Safety and Environment Committee. He previously held positions of Chief Development Officer and of Chief Financial Officer. He is a former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc, and has extensive financial, corporate restructuring, and merger and acquisition experience.

David Brink
MSc Engineering (Mining), DCom (hc), 65

Dave Brink brings considerable mining and finance experience to the Group. He has over 20 years experience in the mining industry, in particular, shaft sinking, tunnelling and exploration contracting, followed by 12 years as the Chief Executive Officer of a major listed construction, engineering and manufacturing conglomerate.

A Director of Billiton Plc since June 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Health, Safety and Environment Committee and a member of the Risk Management and Audit Committee. He is Chairman of Unitrans Limited and Deputy Chairman of ABSA Bank Limited and ABSA Group Limited. He is also a Director of Sanlam Limited and Sappi Limited and Vice President of the South African Institute of Directors. During 2001, he completed a Post Graduate Diploma in Company Direction.

John Buchanan
BSc, MSc (Hons 1), PhD, 61

John Buchanan has had a wide international business career gained in large and complex international businesses. He brings to the Board experience in the petroleum industry and knowledge of the UK and international investor community. He has held various leadership roles in strategic, financial, operational and marketing positions, including executive experience in different countries.

A Director of BHP Billiton Limited and BHP Billiton Plc since February 2003. Chairman of the Remuneration Committee and a member of the Nomination Committee. The Senior Independent Director of BHP Billiton Plc. A Director of AstraZeneca Plc and Vodafone Group Plc. He is a former Executive Director and Group Chief Financial Officer of BP, treasurer and chief executive of BP Finance, and Chief Operating Officer of BP Chemicals.

Michael Chaney
AO, BSc, MBA, FAIM, FAICD, 54

Michael Chaney brings commercial expertise to the Board, developed over many years as the Chief Executive Officer and Managing Director of Wesfarmers Limited.

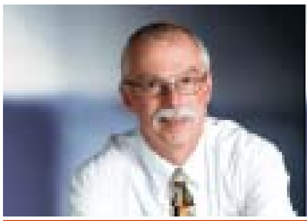
A Director of BHP Limited since May 1995 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. He is a Director of Gresham Partners Group Limited, Vice President of the Business Council of Australia, a Director of the Centre for Independent Studies Limited, Chairman of the Australian Research Alliance for Children and Youth Limited and a member of the JP Morgan International Council and of the Council of the National Gallery of Australia.

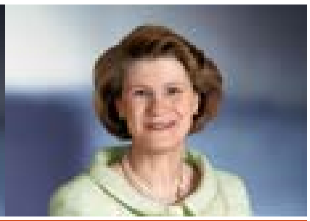
David Crawford
B Comm, LLB, FCA, FCPA, FAICD, 60

David Crawford has extensive experience in risk management and business reorganisation, having acted either as a consultant, scheme manager, receiver and manager or liquidator to very large and complex groups of companies.

A Director of BHP Limited since May 1994 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Risk Management and Audit Committee. Chairman of Lend Lease Corporation Limited and a Director of Foster's Group Limited, National Foods Limited and Westpac Banking Corporation. He is former Australian National Chairman of KPMG, Chartered Accountants.


David Jenkins *Lord Renwick of Clifton*





Miklos Salamon *John Schubert* *Karen Wood, Company Secretary*

David Jenkins
BA, PhD (Geology), 65

David Jenkins' executive career at British Petroleum makes him a recognised authority on oil and gas technology.

A Director of BHP Limited since March 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Remuneration Committee and the Risk Management and Audit Committee. A Director of Chartwood Resources Ltd, a private company providing consultancy services and business and technology advice to the oil industry. Former Chief Geologist, Director Technology and Chief Technology Advisor to BP Plc. During 2003 he was a member of the Technology Advisory Committee of the Halliburton Company and the Advisory Council of Consort Resources. He also chaired the Energy Advisory Panel of Science Applications International Corporation.

Lord Renwick of Clifton
KCMG, MA, 66

Lord Renwick has wide international and financial expertise. He served as British Ambassador to South Africa from 1987 to 1991 and as British Ambassador to the US from 1991 to 1995. He is currently Vice Chairman of Investment Banking at JP Morgan.

A Director of Billiton Plc since June 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nomination Committee and Remuneration Committee. He is Chairman of Fluor Limited, Director of British Airways Plc, Compagnie Financière Richemont AG, Fluor Corporation, SABMiller Plc, Fleming Family & Partners Limited and Harmony Gold Mining Company Limited.

Miklos (Mike) Salamon
BSc Mining Engineering, MBA, 49

Appointed an executive Director in February 2003 and Group President Non-Ferrous Materials (consisting of Aluminium, Base Metals and Stainless Steel Materials) in March 2004. A member of the Health, Safety and Environment Committee. He is Chairman of Samancor and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. From July 1997 to June 2001 he was an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. Former Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.

John Schubert
BC Eng, PhD (Chem Eng), FIEAust, FTSE, 61

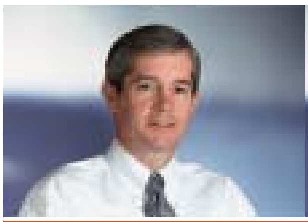
John Schubert has considerable experience in the international oil industry including at CEO level. He has had executive mining and financial responsibilities and was Chief Executive Officer of Pioneer International Limited for six years where he operated in the building materials industry in 16 countries. He has experience in mergers, acquisitions and divestments, project analysis and management.

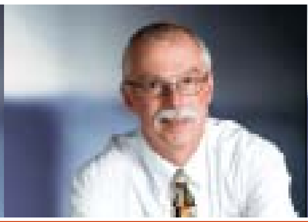
A Director of BHP Limited since June 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nomination Committee and the Remuneration Committee. Deputy Chairman of the Commonwealth Bank of Australia, a Director of Qantas Airways Limited and Deputy Chairman of the Great Barrier Reef Research Foundation. He is also non-executive Chairman of G2 Therapies Limited and of Worley Group Limited. Member and past President of the Business Council of Australia. Former Managing Director and Chief Executive Officer of Pioneer International Limited and former Chairman and Managing Director of Esso Australia Limited.

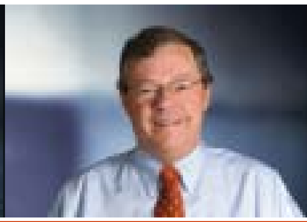
Company Secretary
Karen Wood
BEd, LLB (Hons), FCIS, 48

Karen Wood was appointed Company Secretary of BHP Billiton Limited and BHP Billiton Plc in June 2001. She is a member of the Takeovers Panel (Australia), the Business Regulatory Advisory Group (Australia) and the JD (Juris Doctor) Advisory Board of the University of Melbourne. She is a Fellow of the Institute of Chartered Secretaries and a member of the Law Council of Australia and the Law Institute of Victoria. She chairs the Disclosure Committee of BHP Billiton. Before joining BHP Billiton, she was General Counsel and Company Secretary of Bonlac Foods Limited.

EXECUTIVE COMMITTEE


Charles Goodyear


Miklos Salamon

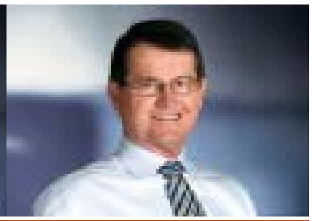

Philip Aiken


John Fast


Ian Fraser


Diego Hernandez


Graeme Hunt


Robert Kirkby

Charles Goodyear
BSc, MBA, FCPA, 46
Chief Executive Officer and Executive Director

Chairman of the Office of the Chief Executive and Executive Committee, and a member of the Health, Safety and Environment Committee of the Board, Strategy Committee, and Financial Risk Management Committee.

Charles Goodyear joined the Group as Chief Financial Officer in 1999. He was appointed to the Boards of BHP Billiton Limited and BHP Billiton Plc in November 2001 and as Chief Executive Officer in January 2003. He previously held positions of Chief Development Officer and of Chief Financial Officer. He is a former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc, and has extensive financial, corporate restructuring and merger and acquisition experience.

Miklos (Mike) Salamon
BSc Mining Engineering, MBA, 49
Group President Non-Ferrous Materials and Executive Director

Member of the Health, Safety and Environment Committee of the Board, the Office of the Chief Executive and Executive Committee, and Chairman of the Operating Committee.

Appointed an executive Director in February 2003 and Group President Non-Ferrous Materials (consisting of Aluminium, Base Metals and Stainless Steel Materials) in March 2004. He is Chairman of Samancor and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. From July 1997 to June 2001 he was an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. Former Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.

Philip Aiken
BE (Chemical Engineering), Harvard Business School – Advanced Management Program, 55
Group President Energy

Member of the Office of the Chief Executive and Executive Committee.

Joined the Group in 1997 as President and Chief Executive Officer Petroleum and appointed Group President Energy (consisting of Energy Coal and Petroleum) in March 2004. He is a former Director of BTR Plc and former Managing Director of BTR Nylex, following a long career at BOC Plc where his last role was Managing Director Gases Europe. He is a Director of Robert Walters Plc and Chairman of the Sydney 2004 World Energy Congress Organising Committee.

John Fast
BEc (Hons), LLB (Hons), ASIA, 54
Chief Legal Counsel and Head of External Affairs

Member of the Office of the Chief Executive, Executive Committee, Investment Risk Committee, Disclosure Committee and Chairman of the Global Ethics Panel.

Joined the Group as Vice President and Chief Legal Counsel in December 1999, and was appointed Head of Asset Protection in July 2001 and Head of External Affairs (Government and Community Relations) in January 2003. He is a Director of the Medical Research Foundation for Women and Babies (Australia), a member of the Strategic Advisory Board to The University of Melbourne Law School's Graduate Program, an Associate of the Securities Institute of Australia, a member of the Markets Policy Group of that Institute, and a member of the Law Institute of Victoria. Before joining BHP Billiton, he was the Senior Commercial Partner at the law firm Arnold Bloch Leibler.

Ian Fraser
MA (Hons), MBA, C.Psychol, 43
Group Vice President Human Resources

Member of the Office of the Chief Executive, Executive Committee and Operating Committee.

Appointed Group Vice President Human Resources in June 2001. Previously Group HR Director of Billiton Plc, Group HR Director of Charter Plc, Personnel Controller of Woolworths Plc, and Head of Organisation Diagnostics at Hay Management Consultants. Prior to this, he held a number of management roles in marketing and consulting organisations.

Diego Hernandez
Civil Mining Engineer, Ecole Nationale Supérieure des Mines de Paris, 55
President Base Metals

Member of the Executive Committee and Operating Committee.

Joined the Group as President Base Metals in April 2004. He was previously Executive Director, CVRD Non Ferrous Division and has extensive experience in the resources sector in South America. His previous positions include President and Chief Executive Officer Compañía Minera Collahuasi, Chief Executive Officer Minera Mantos Blancos, Chief Executive Officer Compañía Minera Tres Cruces, Technical Director Rio Tinto Brazil, Assistant General Manager Empresa Minera Mantos Blancos and General Manager Companhia de Estanho Minas Brazil.

Graeme Hunt
B Met, MBA, FAusIMM, London Business School – Senior Executive Programme, 47
President Iron Ore

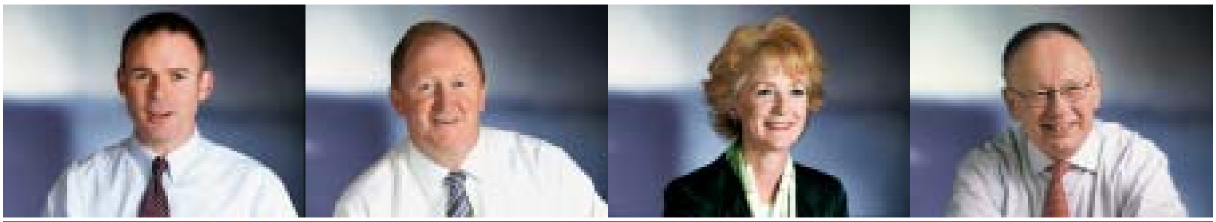
Member of the Executive Committee and Operating Committee.

Joined the Group in 1975 and appointed President Iron Ore in January 2004. He was previously President Western Australia Iron Ore, Vice President Portfolio Restructuring Strategy – BHP Corporate, Group General Manager – BHP Manganese, General Manager Port Kembla Coal Terminal Ltd, NSW Ports Manager – BHP Transport Ltd and has held various other positions in BHP Steel. He is President of the Australian Mines & Metals Association; Vice President of the Chamber of Minerals & Energy of Western Australia.

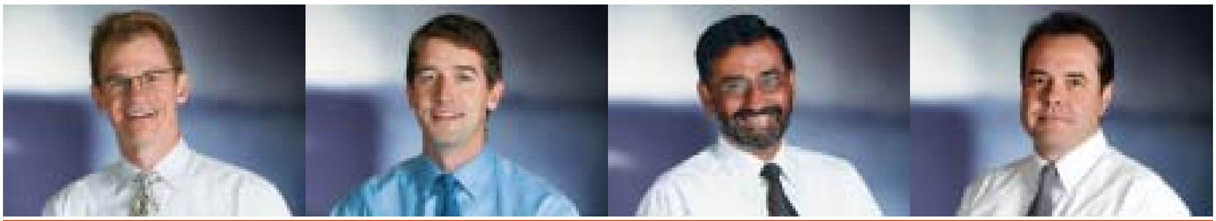
Robert Kirkby
BE Civil (Hons), Harvard Business School – Advanced Management Program, 57
Group President Carbon Steel Materials

Member of the Office of the Chief Executive, Executive Committee and Operating Committee.

Joined the Group in 1978 and appointed Group President Carbon Steel Materials in March 2004. He was previously President Carbon Steel Materials, Chief Operating Officer BHP Minerals, President BHP Steelmaking and Energy, Group General Manager and Chief Executive Officer BHP Coal, Group General Manager and Chief Operating Officer of various divisions in BHP Steel, and General Manager Newman-BHP Minerals.



Marius Kloppers *Chris Lynch* *Rebecca McDonald* *Chris Pointon*



Marcus Randolph *Greg Robinson* *Mahomed Seedat* *Alex Vanselow*

Marius Kloppers
BE (Chem), MBA, PhD (Materials Science), 42
Chief Commercial Officer

Member of the Office of the Chief Executive, Executive Committee, Operating Committee, Financial Risk Management Committee and Investment Risk Committee and Chairman of Strategy Committee.

Joined the Group in 1993 and appointed Chief Commercial Officer in December 2003. He was previously Chief Marketing Officer, Group Executive of Billiton Plc, Chief Executive of Samancor Manganese, and held various positions at Billiton Aluminium, amongst them Chief Operating Officer and General Manager of Hillside Aluminium. His previous career was as a consultant with McKinsey Inc.

Chris Lynch
BComm, MBA, FCPA, 50
Chief Financial Officer

Member of the Office of the Chief Executive, Executive Committee, Operating Committee, Disclosure Committee and Chairman of the Investment Risk Committee and Financial Risk Management Committee.

Joined the Group in 2000 as Chief Financial Officer of the Minerals Group and appointed Chief Financial Officer in September 2001. He was Vice President and Chief Information Officer for Alcoa Inc based in Pittsburgh, US, and Chief Financial Officer, Alcoa Europe located in Lausanne, Switzerland. He was also Managing Director KAAL Australia Ltd, a joint venture company formed by Alcoa Inc and Kobe Steel, Manager Financial Risk and Treasury Operations for Alcoa Inc in Pittsburgh, US, and Corporate Accounting Manager at Alcoa of Australia Ltd.

Rebecca McDonald
BSc, 52
President Gas and Power

Member of the Executive Committee.

Joined the Group as President Gas and Power in March 2004. She was previously President of the Houston Museum of Natural Science, Chairman and Chief Executive Officer of Enron Global Assets after a long career at Amoco, where her last role was President and Chief Executive Officer of Amoco Energy Development Company. She is an independent director of Granite Construction and Eagle Global Logistics and a member of the Advisory Board of JP Morgan Chase.

Chris Pointon
BSc (Chemistry & Earth Sciences), PhD (Geology), 56
President Stainless Steel Materials

Member of the Executive Committee and Operating Committee.

Appointed President Stainless Steel Materials in June 2001. He was previously Chief Executive Officer, Nickel and Chrome for Billiton Plc and Managing Director of QNI Ltd. He has over 20 years of global experience as a mining executive and has led the Group's nickel business since its formation in 1996.

Marcus Randolph
BSc (Colorado School of Mines), MBA Harvard Business School, 48
President Diamonds and Specialty Products

Member of the Executive Committee and Operating Committee.

Joined the Group in 1999 as Chief Strategic Officer and Chief Development Officer and appointed President, Diamonds and Specialty Products in August 2002 with responsibility for the diamonds and titanium businesses, North American metals distribution, and technology and minerals exploration across the Group. His earlier career was as Chief Executive Officer of a Singapore-based gold and petroleum company. He also held senior positions with Rio Tinto and Asarco.

Greg Robinson
BSc (Hons), MBA, 42
Chief Finance Officer and Chief Development Officer Energy

Member of the Executive Committee and Strategy Committee.

Joined the Group in February 2001 as Chief Financial Officer Petroleum and appointed Chief Finance Officer and Chief Development Officer Energy in March 2004. He was formerly Director Investment Banking Group, Merrill Lynch & Co, and Resources Research Analyst, McCaughan Dyson Limited.

Mahomed Seedat
BEc (Electrical), 48
President and Chief Operating Officer Ingwe Collieries

Member of the Executive Committee and Operating Committee.

Appointed President and Chief Operating Officer Ingwe Collieries in May 2004. He was previously President and Chief Operating Officer Aluminium Southern Africa with responsibility for the operations at the Hillside and Bayside Aluminium Smelters in Richards Bay, South Africa and the Mozal Aluminium Smelter in Maputo, Mozambique. His former roles in the Aluminium Customer Sector Group include Engineering Manager, Maintenance Manager and General Manager of the Hillside Aluminium Smelter in Richards Bay. His previous career was in the coal industry with Amcoal, where he held various positions at its collieries.

Alex Vanselow
BComm, AMP, 42
President Aluminium

Member of the Executive Committee and Operating Committee.

Joined the Group in 1989 and appointed President Aluminium in March 2004. He was previously Vice President and Chief Financial Officer for Aluminium, Vice President Finance and Chief Financial Officer for Orinoco Iron, Manager Accounting and Control and Manager Finance and Administration Rails and Ports for BHP Iron Ore and Senior Auditor BHP Minerals. He is Chairman of Mozal and Worsley and Vice Chairman of the International Aluminium Institute.

Corporate Governance at a Glance

1. Governance at BHP Billiton

At BHP Billiton we believe that to maintain our position as one of the world's leading companies we must commit to the highest level of governance. To us that means fostering a culture that values and rewards the highest ethical standards, personal and corporate integrity, and respect for others. Our approach to governance is predicated on the belief that there is a demonstrable link between high-quality governance and equity performance.

This Corporate Governance Statement outlines the key principles and practices of the BHP Billiton Group which, taken as a whole, is our system of governance.

In reviewing this Statement, shareholders are reminded that BHP Billiton operates under a dual listed companies structure with primary listings in Australia and the UK. BHP Billiton Limited and BHP Billiton Plc, the parent entities of BHP Billiton, are registrants of the Securities and Exchange Commission in the US. In formulating our governance framework, the regulatory requirements in Australia, the UK and the US have been taken into account, together with standards of best practice. Where governance principles vary across these jurisdictions, as they inevitably do, the Directors have resolved to adopt those principles that they consider to be the better of the prevailing standards.

BHP Billiton Limited and BHP Billiton Plc have identical Boards of Directors. (The Boards are hereafter referred to collectively as the Board.)

2. Shareholders

The shareholders are the owners of BHP Billiton and in that capacity elect the members of the Board. In addition to the election of Directors, shareholders retain the right to vote on other important matters including changes to the Group's constitutional documents, the receipt of annual financial statements and the award of Shares as part of incentive arrangements for executive Directors.

To vote in an informed manner the Board recognises that shareholders must receive high-quality, relevant and useful information in a timely manner. To safeguard the effective dissemination of information BHP Billiton has developed a Market Disclosure and Communications Policy, a copy of which is available on the Group's website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*. The Policy outlines BHP Billiton's processes for identifying information for disclosure and aims to ensure that timely and accurate information is provided equally to all shareholders and market participants. It also reinforces BHP Billiton's commitment to the continuous disclosure obligations imposed by law, and describes the processes implemented to ensure compliance.

Copies of announcements to the stock exchanges on which BHP Billiton is listed, investor briefings, half-yearly financial statements, the Annual Report and other relevant information is posted to the Group's website at *www.bhpbilliton.com*. Any person wishing to receive advice by email of Group news releases can subscribe at *www.bhpbilliton.com*. Shareholders are encouraged to make their views known to the Group and to directly raise any matters of concern. The Chairman keeps the Board advised of the views and concerns that have been raised. From time to time the Group will enter into dialogue with shareholders to share views on matters of interest.

Shareholders are encouraged to attend annual general meetings and to use this opportunity to ask questions. To make better use of the limited time available, shareholders are invited to register questions and raise issues of concern prior to the meeting. This can be done either by completing the relevant form accompanying the notice convening the meeting or by emailing the Group at: *investor.relations@bhpbilliton.com*. Questions that have been lodged, and their answers, are posted to the website. Shareholders may lodge their votes on items of business at general meetings electronically. The notice of meeting describes how this can be done. Copies of the speeches delivered by the Chairman and Chief Executive Officer to the annual general meeting, a summary of the proceedings of the meeting and the outcome of voting on the items of business, are posted to the website following the meeting. The external auditor attends the annual general meeting and is available to answer questions.

3. Board of Directors – role and responsibilities

The role of the Board is to represent the shareholders and to promote and protect the interests of the company. It does so by governing the Group. In 2004 the Board adopted the Board Governance Document which outlines the processes the Board has adopted for its own tasks and activities. The Document also sets out the matters the Board has specifically reserved for its own decision-making, the authority of the Chief Executive Officer, the accountability of the Chief Executive Officer, and guidance on the management of the relationship between the Board and the Chief Executive Officer. A copy of the Board Governance Document can be found on the BHP Billiton website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

In performing its role, the Board is guided by the Group's corporate objective, which is the creation of long-term value for shareholders through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

The Board has specifically reserved the following matters for its decision: appointments to the position of Chief Executive Officer and approval of appointments of executives reporting to the Chief Executive Officer; approval of strategy and annual budgets; determination of capital and non-capital items in accordance with the approvals framework; and formal determinations that are required by the Group's constitutional documents, by statute or by other external regulation. All remaining authority is delegated to the Chief Executive Officer on behalf of executive management. This delegation is supported by appropriate controls, which are documented in the Board Governance Document. Subject to the limitations imposed by the constitutional documents, statute and other regulations, the Board remains free to alter the matters reserved for its decision.

Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and constructively and be free to question or challenge the opinions of others.

4. Board of Directors – composition, structure and process

The following section outlines how the Board has structured itself in order to best fulfil its role.

4.1 Membership

The names of the Directors in office at the date of this Report, the year of their appointment, their independence (or otherwise), and whether they retire at the 2004 annual general meeting are set out in the table below. Biographical details for each of the Directors are set out on pages 28 and 29 of this Report. The criteria used by the Board to assess the independence of Directors are set out in section 4.3 below.

Directors in office at the date of this Report

Director	Appointed	Independent	Last elected	Retiring and seeking re-election in 2004
Don Argus (Chairman)	1996	Yes	2001	Yes
David Brink	1997	Yes	2003	No
John Buchanan	2003	Yes	2003	No
Michael Chaney	1995	Yes	2003	No
David Crawford	1994	Yes	2001	Yes
Charles Goodyear (Chief Executive Officer)	2001	No	2002	Yes
David Jenkins	2000	Yes	2002	No
Lord Renwick of Clifton	1997	Yes	2003	No
Miklos (Mike) Salamon (Group President Non-Ferrous Materials)	2003	No	2003	No
John Schubert	2000	Yes	2002	Yes

4.2 Skills, knowledge, experience and attributes of Directors
The Board considers that, between them, the non-executive Directors bring the range of skills, knowledge and experience necessary to govern the Group, including international and operational experience; understanding the economics of the sectors in which the Group operates; knowledge of world capital markets; and an understanding of the health, safety, environmental and community challenges that the Group faces. Executive Directors bring additional perspectives to the Board's work through a deep understanding of the Group's business.

Directors must also demonstrate unquestioned honesty and integrity; a preparedness to question, challenge and critique; and a willingness to understand and commit to the highest standards of governance. Each Director is required to ensure that no decision or action is taken that has the effect of placing his or her interests in priority to the interests of the company.

4.3 Independence
The Board is committed to always having a majority of Directors who are judged by the Board to be independent of judgment and character and free of material relationships with the Group and other entities and people that might influence, or could be perceived by shareholders to influence, such judgment. In making recommendations to shareholders about candidates for election to the Board, the Board will aim to have the balance of non-executive and executive Directors that is effective for the promotion of shareholder interests and the governance of the Group.

The corporate governance principles in the jurisdictions in which BHP Billiton operates contain different tests of independence. The test adopted by BHP Billiton is whether a Director is independent of management and any business or other relationship that could materially interfere with the exercise of objective, unfettered or independent judgment by the Director or the Director's ability to act in the best interests of the Group. To assist in the Board's deliberations, BHP Billiton has adopted a Policy on Directors' Independence. The Policy contains the materiality thresholds applied by the Group and a copy of the Policy can be found on the website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

The Policy specifies the test and the criteria that will be used by the Board to assess the independence of each Director. It identifies the information that will be collected from each Director to make that assessment, and outlines the required disclosure to shareholders of the assessment. In conducting its assessment the Board took into account a number of factors that might, on their face, affect or appear to affect the independence of some of the Directors. In each case the Board made the decision that the independence of the relevant non-executive Director was not compromised. A summary of the factors considered is set out below. All of the non-executive Directors are considered by the Board to be independent.

Tenure
The Board does not believe that any Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group. In reaching this conclusion, the Board specifically noted that in September 2004 Mr David Crawford and Mr Michael Chaney will have served on the Board for ten years and nine years respectively. The Board concluded that, notwithstanding that period of service, both Directors retain independence of character and judgment. The Board considered that both make outstanding contributions to the work of the Board. Both bring their own unique skills to the Board and participate in robust constructive debate. Neither have formed associations with management (or others) that might be said to compromise their ability to effectively monitor the performance of the Group.

Retirement Plan
The former Directors of BHP Limited (Mr Don Argus, Mr Michael Chaney, Mr David Crawford, Dr David Jenkins and Dr John Schubert) participated in a retirement plan approved by shareholders in 1989 under which they were entitled to receive a payment on retirement calculated by reference to years of service. The plan was closed on 24 October 2003 and benefits accrued to that date are held by the Company and will be paid on retirement. The Board approved the application of an earnings rate to those benefits fixed at the five-year Australian Government Bond Rate.

Relationships and Associations
Mr David Crawford was previously the National Chairman of KPMG in Australia. He retired in June 2001 and has no ongoing relationship with KPMG. KPMG Audit Plc was the joint auditor (with PricewaterhouseCoopers) of Billiton Plc prior to the merger with BHP Limited and of BHP Billiton Plc for the 2002 and 2003 financial years. KPMG and PricewaterhouseCoopers were also the joint auditors of BHP Billiton for the 2003 financial year and KPMG is the sole auditor of BHP Billiton for the 2004 financial year. The Board has considered this matter annually since the time of the merger, and again revisited it prior to the publication of this Statement and does not consider Mr Crawford's independence to be compromised. The Board considers Mr Crawford's financial acumen to be important to the discharge of the Board's responsibilities and accordingly that his membership of the Board and Chairmanship of the Risk Management and Audit Committee are not only appropriate but highly desirable.

Some of the Directors of BHP Billiton hold positions in companies with which BHP Billiton has commercial relationships. Those positions are set out on pages 28 and 29 of this Report. The only company where the relationship with BHP Billiton is regarded as material under the terms of the Policy is Worley Group Limited of which Dr John Schubert is non-executive Chairman. During the year the Worley Group provided maintenance and engineering services to BHP Billiton. All transactions with Worley Group were entered into in the usual course of BHP Billiton's business and were within the scope of management authority under the terms of the Approvals Framework. Accordingly, the Board was not required to consider, and approve, these transactions. Were Board approvals ever required in relation to relationships between BHP Billiton and the Worley Group, or any other company with whom a Director has an association, then BHP Billiton's protocols would apply and the Director concerned would excuse him or herself from participating in a decision.

The only transactions in 2004 which amounted to related-party transactions with Director-related entities under Australian and UK generally accepted accounting principles, are the transactions between BHP Billiton and the Wesfarmers Group of which Mr Michael Chaney is Managing Director. Details are set out in note 30 to the financial statements.

The Board has assessed all of the relationships between BHP Billiton and the Directors and in all cases (including those of Dr Schubert and Mr Chaney) concluded that the relationships do not interfere with the Director's exercise of objective, unfettered or independent judgment or the Director's ability to act in the best interests of the BHP Billiton Group.

Executive Directors

The two executive Directors, Mr Charles Goodyear and Mr Miklos (Mike) Salamon are not considered independent because of their executive responsibilities. Neither of the executive Directors holds directorships in any other company included in the ASX 100 or FTSE 100.

4.4 Terms of appointment

The Board has settled a form of letter of appointment to be provided to candidates for appointment as non-executive Directors. The standard terms of the letter are available from the website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

The Group has in place a policy which insures Directors against certain liabilities (including legal costs) they may incur in carrying out their duties on behalf of the Group.

4.5 Induction and training

New Directors are provided with an induction program specifically tailored to the needs of individual appointees. That program includes meetings with major shareholders, one-on-one meetings with members of management and visits to key assets. Directors agree to participate in continuous improvement programs from time to time, as considered appropriate.

4.6 Independent advice

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual Directors may seek independent professional advice, at the expense of the Group, on any matter connected with the discharge of their responsibilities. No Director availed himself of this right during the course of the year.

4.7 Remuneration

Details of the remuneration policies and practices of the Group and the remuneration paid to the Directors (executive and non-executive) are set out in the Remuneration Report on pages 43 to 60. Shareholders will be invited to consider and to approve the Remuneration Report at the annual general meetings in 2004.

4.8 Share ownership and dealing

Non-executive Directors have agreed to apply at least 25 per cent of their remuneration to the purchase of BHP Billiton Shares (in either BHP Billiton Limited or BHP Billiton Plc) until they achieve a shareholding equivalent in value to one-year's remuneration and, thereafter, to maintain at least that level of shareholding throughout their tenure.

Details of the Shares held by Directors are set out on page 63 of this Report. As at the date of this Report all of the Directors had met this requirement.

BHP Billiton has a policy that covers dealings in securities that applies to Directors and senior managers. Under the policy, Directors are required to obtain the consent of the Chairman before dealing in Shares or other securities of BHP Billiton. Directors and senior managers are also prohibited from dealing in Shares or other securities of BHP Billiton during designated prohibited periods and at any time at which the individual is in possession of price-sensitive information.

Any dealing by a Director in Shares or other securities of BHP Billiton is reported to the Board at each meeting. The Australian and London Stock Exchanges, and all secondary exchanges on which BHP Billiton is listed, are notified of any Share dealing by a Director within five days.

The BHP Billiton Securities Dealing Policy can be viewed on the website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

4.9 Chairman

The Chairman, Mr Don Argus, was, at the date of his appointment and continues to be, independent. He has been Chairman of BHP Limited since 1999 and of the Group since 2001.

The Chairman leads the Board. He has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to analyse and constructively critique the performance of management and the Group as a whole. The Chairman is responsible for representing the Board to shareholders.

Mr Argus is Chairman of Brambles Industries, a dual listed company that is listed on the Australian and London Stock Exchanges. The Board considers that neither his Chairmanship of Brambles, nor any of his other commitments (set out on page 28 of this Report), interfere with the discharge of his responsibilities to BHP Billiton. The Board is satisfied that he makes sufficient time available to effectively serve BHP Billiton.

The Group does not have a Deputy Chairman. The Board has, however, identified a non-executive Director to act as Chairman should the need arise at short notice. That Director is currently Dr John Schubert.

4.10 Senior Independent Director

The Board has appointed Dr John Buchanan as the Senior Independent Director of BHP Billiton Plc. Dr Buchanan is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive Officer or Chief Financial Officer.

4.11 Company Secretary
The Company Secretary is Ms Karen Wood. She is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role. The Company Secretary is also responsible to the Board for ensuring compliance with Board procedures. She advises the Board, through the Chairman, on governance matters. All Directors have access to her advice and services, and she retains independent advisory services at the request of the Board or a Board Committee. The appointment and removal of the Company Secretary is a matter for the Board.

4.12 Meetings
The Board met eight times during the year. Generally, meetings run for two days. Five of those meetings were held in Australia, two in the United Kingdom and one in South Africa.

Details of Directors' attendance at those meetings are set out in the table below. The Chairman sets the agenda for each meeting in consultation with the Chief Executive Officer and the Company Secretary. Any Director may have any matter added to the agenda. Directors are provided with comprehensive papers on matters to be considered by the Board.

The non-executive Directors met four times during the year in the absence of executive Directors and other executives (save for the Company Secretary).

Members of the Office of the Chief Executive and other members of senior management attend meetings of the Board by invitation.

The Board works to a rolling schedule and conducts periodic reviews of the Group's businesses. Directors are encouraged to participate in debate and to bring independent judgment to bear on matters being considered. The Board recognises that constructive differences of opinion lead to more robust evaluation of the issues and, ultimately, better outcomes.

Attendance at Board and Board Committee meetings during the year ended 30 June 2004

	Board		Risk Management and Audit		Nomination		Remuneration		Health, Safety and Environmentˆ	
	A*	B	A	B	A	B	A	B	A	B
Don Argus	8	8			6†	6				
David Brink	8	8	9	9					5†	5
John Buchanan	8	6			6	6	8†	8		
Michael Chaney	8	8								
David Crawford	8	8	9†	9						
Charles Goodyear	8	8							5	4
Cornelius Herkströter#	3	3	3	3						
David Jenkins	8	8	9	9			8	8		
Lord Renwick of Clifton	8	5			6	4	8	4		
Mike Salamon	8	8							5	5
John Schubert	8	8			6	6	8	8		

* Includes one meeting held by telephone
\# Retired 24 October 2003
† Chairman of the Committee
ˆ The other members of this Committee are external experts in the fields of health, safety or the environment. They are Professor Jim Galvin, Professor Jimmy Perkins, Dr David Slater and Mr Ed Spence. In addition, Mr Anthony Lennox, Group Vice President Health, Safety and Environment, is a member of this Committee.

Column A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee
Column B – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee

5. Board of Directors – re-election review and renewal

The Board has determined that after a non-executive Director has served on the Board for more than nine years from the date of their first election, that Director will stand for annual election from the first annual general meeting after the expiration of their current term. Of the remaining Directors, at least one-third will retire at each annual general meeting. Directors are not appointed for a fixed term but must submit themselves to shareholders for re-election after three years. The period for which Directors have served on the Board, and the year in which they were last elected, are set out in the table on page 33. Re-appointment is not automatic.

The Board believes that progressive organisations appreciate the challenge of operating in today's business environment and particularly the requirement for transparency in determining Board membership and assessing the performance of Directors. The adoption of contemporary performance measures for Directors is considered an important part of this process. In particular, the Board considers it inappropriate for a Director to offer him or herself for re-election unless a performance appraisal has been undertaken beforehand.

Retiring Directors are subject to an assessment of their performance. The process is a formal one and culminates in the Board, on the recommendation of the Nomination Committee, making a determination as to whether the Board will endorse a retiring Director for re-election. Where a Director's performance is not considered satisfactory, the Board will not endorse re-election. The Board will advise shareholders whether or not re-election is supported. This advice is contained in the notice of meeting. In addition to assessing the performance of Directors, the Nomination Committee also reviews the skills, knowledge, experience and diversity represented on the Board and takes the findings of that review into account when considering the composition of the Board going forward.

In addition to performance reviews for Directors who are retiring and propose offering themselves for re-election, the Board conducts performance evaluations extending to performance of the Board as a whole, its Committees, the Chairman, individual Directors, and the governance processes which support Board work.

A review of individual Directors' performance was conducted during 2004. The aim was to provide each Director with feedback gathered from the other members of the Board. The process was managed by the Chairman, but feedback on the Chairman's performance was provided to him by Dr Schubert.

Performance was assessed against criteria which included: the ability of the Director to consistently take the perspective of creating shareholder value; to contribute to the development of strategy and identification of risks; to provide clarity of direction to management; to be a source of wise counsel; to bring a broad perspective to discussions and an understanding of key issues; to commit the time required to fulfil the role; and to listen to and respect the ideas of fellow Directors and management. The performance of the Board as a whole was assessed in 2003 and will again be assessed in 2005. Assessments of the performance of the Board's Committees has commenced but will not be completed until later this calendar year.

Directors cannot be re-appointed if they have reached the age of 70 years, unless that appointment is approved by shareholders in the form of a special resolution. A Director so appointed must retire at the next annual general meeting.

The Board plans for its own succession with the assistance of the Nomination Committee. In so doing, the Board:

- considers the skill, knowledge and experience necessary to allow it to meet the strategic vision for the Group
- assesses the skill, knowledge and experience currently represented
- identifies any skills, knowledge and experience not adequately represented and agrees the process necessary to ensure a candidate is selected that brings those traits, and
- engages in a robust analysis of how Board performance might be enhanced both at an individual level and for the Board as a whole.

When considering new appointments to the Board, the Nomination Committee oversees the preparation of a position specification. In addition to the specific skills, knowledge and experience deemed necessary for candidates, that specification contains objective criteria such as a proven track record of creating value for shareholders; unquestioned integrity and a commitment to the highest standards of governance; having the required time available to devote to the job; a clear grasp of strategic thinking; an awareness of market leadership; outstanding monitoring skills; a preparedness to question, challenge and critique; and an independent point of view. The position specification is provided to an independent recruitment organisation, which reports to the Nomination Committee, for the conduct of a global search. Newly appointed Directors must submit themselves to shareholders for election at the first general meeting following appointment.

6. Board Committees

The Board has delegated some of its responsibilities to Committees of the Board. The Board has established four permanent Committees to assist in the execution of its responsibilities. These are the Risk Management and Audit Committee, the Health, Safety and Environment Committee, the Nomination Committee and the Remuneration Committee. Ad hoc Committees are formed from time to time to deal with specific matters.

Each of the permanent Committees has terms of reference (or charters) under which authority is delegated to them from the Board. The terms of reference for each Committee can be viewed on the Group's website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

The office of the Company Secretary provides secretariat services for each of the Committees. Committee meeting agendas, papers and minutes are made available to all members of the Board. Subject to appropriate controls and the overriding scrutiny of the Board, Committee Chairmen are free to use whatever resources they consider necessary to discharge their responsibilities.

6. Board Committees continued

Each Committee is composed of the people the Board considers best suited to fulfil the role of each Committee.

The members, role and focus of each Committee are set out in the tables below. The number of Committee meetings held during the year and the attendance at those meetings by members is set out in the table on page 36.

Risk Management and Audit Committee

Role:
- to assist the Board in relation to the reporting of financial information

Focus:
- the integrity of financial statements (see section 8.1 of this Statement)
- the appointment, reward, performance and independence of the external auditor, and the integrity of the audit process as a whole
- the effectiveness of the systems of internal control and risk management (see section 8.3 of this Statement)
- the performance and leadership of the internal audit function
- compliance by management with constraints imposed by the Board

Members:
- Mr D A Crawford (Chairman)
- Dr D C Brink
- Dr D A L Jenkins

Nomination Committee

Role:
- to assist the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of a Director, having regard to the law and the highest standards of governance

Focus:
- the identification of suitable candidates to the Board
- the plan for succession of the Chief Executive Officer, and periodic evaluation of it
- reviewing the Board's assessment of the performance of individual Directors and making recommendations to the Board on the endorsement of retiring Directors seeking re-election
- communication to shareholders on the work of the Committee on behalf of the Board

Members:
- Mr D R Argus (Chairman)
- Dr J G Buchanan
- Lord Renwick of Clifton
- Dr J M Schubert

Health, Safety and Environment Committee

Role:
- to assist the Board to fulfil its responsibilities in relation to health, safety and environment matters arising out of the activities of the Group as they affect employees, contractors and the communities in which it operates

Focus:
- assessing the Group's activities and overall performance having regard to health, safety and environment matters
- advising the Board, Risk Management and Audit Committee and Remuneration Committee on the overall performance of the Group having regard to health, safety and environment matters

Members:
- Dr D C Brink (Chairman)
- Mr C W Goodyear
- Mr M Salamon
- Mr A T Lennox
- Prof J Galvin
- Prof J Perkins
- Dr D Slater
- Mr E Spence

Remuneration Committee

Role:
- to assist the Board in relation to the remuneration policy for the Group, the application of this policy to executives and the evaluation of the performance of the Chief Executive Officer

Focus:
- the remuneration policy and its application to the Chief Executive Officer and those who report to the Chief Executive Officer
- the adoption of annual and longer term incentive plans
- guidance to the Chairman on the annual evaluation of the Chief Executive Officer
- determination of levels of reward to the Chief Executive Officer and approval of rewards to those who report to the Chief Executive Officer
- communication to shareholders on remuneration policy and the Committee's work on behalf of the Board

Members:
- Dr J G Buchanan (Chairman)
- Dr D A L Jenkins
- Lord Renwick of Clifton
- Dr J M Schubert

7. Management Committees

Save for the decisions it has retained for itself (outlined in section 3 above), the Board has delegated the authority necessary to manage BHP Billiton to the Chief Executive Officer who is accountable to the Board for the exercise of these powers.
In delegating those authorities, the Board has set a number of limits which provide guidance on the relationship between the Board and management. Those limits are outlined in the Board Governance Document a copy of which can be found at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

The Chief Executive Officer has delegated certain powers to executive management, either individually or acting as a Committee. The key management Committees and their respective roles are set out below.

7.1 The Office of the Chief Executive

The Office of the Chief Executive is the principal management decision-making body in the Group. The Committee has three principal functions – to make recommendations to the Board in respect of certain matters on which the Board must make decisions, to oversee the preparation of corporate strategy and to review performance, and to exercise the authority delegated to it under the terms of the Approvals Framework. Details of the members of this Committee may be found on pages 30 and 31.

7.2 The Executive Committee

The Executive Committee has a communications and influencing role across the Group and has responsibility for approving the Group's Health, Safety, Environment and Community standards. Details of the members of this Committee may be found on pages 30 and 31.

7.3 The Operating Committee

The Operating Committee is responsible for guiding the Group's strategies in regard to continuous improvement (operating excellence and knowledge-sharing networks), supply, minerals exploration, technology, project development services and operations talent management.

7.4 Financial Risk Management Committee

Under powers delegated by the Office of the Chief Executive, this Committee monitors the Group's financial risk management policies and exposures, approves financial transactions within the scope of its authority and makes recommendations to the Office of the Chief Executive.

7.5 Investment Risk Committee

The Investment Risk Committee operates under powers delegated by the Office of the Chief Executive and makes recommendations to that Committee. It oversees the management approval processes for major investments, which are designed to ensure that investments are aligned to the Group's agreed strategies and values; risks are identified and evaluated; investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework; and appropriate risk management strategies are pursued.

8. Accountability and audit

8.1 Financial reporting

Consistent with the regulatory requirements of Australia, the UK and the US, BHP Billiton prepares combined financial statements according to Australian generally accepted accounting principles (GAAP), UK GAAP and a reconciliation to US GAAP. The combined financial statements reflect the fact that the Group operates as a single economic entity.

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. This assessment is provided in the Chairman's Review, the Chief Executive Officer's Report, the Review of Operations and in the various Customer Sector Group reports contained in this Report. An explanation of the responsibilities of the Directors in the preparation of the financial statements is set out on page 71. The Directors set out on page 65 their view that the business is a going concern.

The Risk Management and Audit Committee reviews the half-yearly and annual financial statements and makes recommendations to the Board focusing on accounting policies, areas of judgment, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit. The financial statements are certified by the Chief Executive Officer and the Chief Financial Officer as giving a true and fair view and complying with applicable regulatory requirements.

8.2 External audit

In December 2003, the Board, on the recommendation of the Risk Management and Audit Committee, approved the appointment of KPMG as the sole auditor for the 2004 financial year. Shareholders will be asked to approve the annual appointment of the auditor at each annual general meeting.

BHP Billiton is committed to auditor independence. The Risk Management and Audit Committee reviews the independence and objectivity of the external auditor, which review includes:

- seeking confirmation that the external auditor is, in its professional judgment, independent of the Group
- obtaining from the external auditor an account of all relationships between the auditor and the Group
- monitoring the number of former employees of the external auditor currently employed in senior positions in the Group and assessing whether those appointments impair, or appear to impair, the auditor's judgment or independence
- considering whether, taken as a whole, the various relationships between the Group and the external auditor impairs, or appears to impair, the auditor's judgment or independence
- considering whether the compensation of individuals employed by the external auditor who are performing the audit is tied to the provision of non-audit services and, if so, consider whether this impairs, or appears to impair, the external auditor's judgment or independence, and
- reviewing the economic importance of the Group to the external auditor and assessing whether that importance impairs, or appears to impair, the external auditor's judgment or independence.

8.2 External audit continued
The Group audit engagement partner will rotate every five years, subject to the transitional provisions provided in the Australian, UK and US regulations in this area.

The Group has a policy governing the conduct of non-audit work by the auditors. Under that policy the external auditor is prohibited from performing services where the external auditor:
- may be required to audit its own work
- participates in activities that would normally be undertaken by management
- is remunerated through a 'success fee' structure, or
- acts in an advocacy role for BHP Billiton.

A copy of the Policy can be viewed on the website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

Details of the amounts paid to the external auditor during the year for audit and other services are set out in note 7 to the financial statements.

Based on the review by the Risk Management and Audit Committee, the Board is satisfied that the external auditor is independent.

8.3 Internal control
The Directors are responsible for the system of internal control and for regularly reviewing its effectiveness.

The principal aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Group's specific needs and the risks to which it is exposed.

8.3.1 Assessment of business risk
The Group operates an Enterprise-Wide Risk Management System, which continues to be enhanced at all operations. This System forms the cornerstone of the risk management activities of the Group. Its aim is to provide the Risk Management and Audit Committee with the assurance that the major risks facing the Group have been identified and assessed, and that there are controls either in place or planned for these risks. Independent validation is undertaken by Internal Audit. A copy of the Group's Enterprise-Wide Risk Management policy can be viewed on the website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

Strategic risks and opportunities arising from changes in the Group's business environment are regularly reviewed by the Office of the Chief Executive and discussed by the Board.

8.3.2 Monitoring process
Directors monitor risks and controls through the Risk Management and Audit Committee, the Health, Safety and Environment Committee and Internal Audit.

8.3.3 Risk Management and Audit Committee
The composition, role and focus of the Risk Management and Audit Committee are set out in section 6 of this Report.

The terms of reference of the Risk Management and Audit Committee include responsibility for the review of internal control systems, including the procedure for identifying business risks and controlling their financial impact on the Group.

To assist in discharging its responsibilities, the Board's Risk Management and Audit Committee receives reports from separate Risk Management and Audit Committees that have been established for each of the Customer Sector Groups and key functional areas. Committees have been established for the Aluminium, Base Metals, Carbon Steel Materials, Diamonds and Specialty Products, Energy Coal, Stainless Steel Materials and Petroleum Customer Sector Groups and for the Marketing, Shared Services Centres and Treasury functions. A member of the Board's Risk Management and Audit Committee chairs each of these Committees, apart from those for the Marketing and Treasury functions, which are chaired by Mr John Ralph. Mr Ralph is a former non-executive Director of BHP Billiton and is considered to have the necessary experience and expertise to perform this role.

These Committees perform an important monitoring function in the overall governance of the Group, but have no statutory responsibility in terms of reporting. This responsibility for reporting rests with the Board's Risk Management and Audit Committee and the Board.

Each half year, the President and Chief Financial Officers of each Customer Sector Group and each of the Marketing, Shared Services Centres and Treasury functions are required to review internal controls and to provide formal representations to the Group Centre and their Risk Management and Audit Committee, assuring compliance with Group policies and procedures and confirming the adequacy of internal control systems. These representations are provided to the Board's Risk Management and Audit Committee.

The Chief Executive Officer and Chief Financial Officer have certified to the Board that the financial statements are founded on a sound system of risk management and internal compliance, and that system is operating efficiently and effectively in all material respects.

8.3.4 Internal audit
BHP Billiton has an internal audit function, which is independent of the Group's external auditors. The Board's Risk Management and Audit Committee reviews the mission and charter of Internal Audit, ensures that it is appropriately staffed and that its scope of work is adequate in the light of the key risks facing the Group and the other monitoring functions in place. It also reviews and approves an annual internal audit plan.

That Committee also approves the appointment and dismissal of the Vice President Risk Management and Assurance (whose role includes being the head of the internal audit function) and assesses his or her independence and objectivity. The Vice President Risk Management and Assurance has unfettered access to management and the Board's Risk Management and Audit Committee.

The role of Internal Audit, as approved by the Board's Risk Management and Audit Committee, is to:

- assess the design and operating effectiveness of controls governing key operational processes and business risks
- provide the Board with an assessment, independent of management, as to the adequacy of the Group's internal operating and financial controls, systems and practices
- assist the Board in meeting its corporate governance and regulatory responsibilities, and
- provide consulting services to management in order to enhance the control environment and improve business performance.

In addition, the Group's internal controls are supported by the activities of the Financial Risk Management Committee and the Investment Risk Committee.

8.3.5 Review of effectiveness

During the year, the Directors conducted reviews of the effectiveness of the Group's system of internal control for the financial year and up to the date of this Report, in accordance with the Turnbull Guidance and the Principles of Good Corporate Governance published by the Australian Stock Exchange Corporate Governance Council. These reviews covered financial, operational and compliance controls and risk assessment.

In addition to considering the key risks facing the Group, the Board reviewed an assessment of the effectiveness of internal controls over the key risks identified through the work of the Board Committees and Management Committees described above.

9. Corporate social responsibility

BHP Billiton is committed to sustainable development. Health, safety, environment and community (HSEC) responsibilities are integral to the way in which the Group conducts its business. A Health, Safety, Environment and Community Report is published each year. The Report identifies BHP Billiton's HSEC targets and measures its performance against those targets. The Report is published at the same time as the Annual Report. A copy can be reviewed on the website at *www.bhpbilliton.com/bb/sustainableDevelopment/reports.jsp*.

10. Business conduct and the Charter

The BHP Billiton Guide to Business Conduct reflects the Charter values of integrity, respect, trust and openness. The Guide provides clear directions and advice on conducting business internationally; interacting with governments, communities and business partners; and general workplace behaviour. It states BHP Billiton's position on a wide range of ethical and legal issues including conflicts of interest, financial inducements, bribery, insider trading and political contributions. The Guide applies to Directors and to all employees, regardless of their job or location. Consultants, contractors and business partners are also expected to act in accordance with the Guide. Further details can be found at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

BHP Billiton has established regional helplines as a means by which employees can seek guidance or express issues of concern. Reports can be made anonymously. A Fraud Hotline facility is available for reporting cases of suspected misappropriations, fraud, bribery or corruption. Arrangements are in place for investigation of such matters. Where appropriate, this investigation is conducted independently.

The Guide to Business Conduct is available in eight languages. Internal performance requirements regarding business conduct have been established under the Health, Safety, Environment and Community Management Standards.

11. Political contributions

The BHP Billiton Group maintains a position of impartiality with respect to party politics. Accordingly, it does not contribute funds to any political party, politician, or candidate for public office. It does, however, contribute to the public debate of policy issues that may affect it in the countries in which it operates.

12. Compliance

BHP Billiton's compliance with the governance requirements in each of the jurisdictions in which it operates are described in this Annual Report including the Corporate Governance Statement, the Remuneration Report, the Directors' Report and the financial statements.

The Listing Rules of the UK Listing Authority require UK-listed companies to report on the extent to which they comply with the Principles of Good Governance and Code of Best Practice, which are contained in Section 1 of the Combined Code. In July 2003, the Financial Reporting Council in the UK released a revised Code that comes into effect for reporting years beginning on or after 1 November 2003. BHP Billiton has reviewed the provisions of that revised Code and is satisfied that it complies with those provisions.

The Listing Rules of the Australian Stock Exchange require Australian-listed companies to report on the extent to which they comply with the Best Practice Recommendations published by the Australian Stock Exchange Corporate Governance Council as part of its Principles of Good Corporate Governance.

Both the Combined Code (including the revised version) and the Best Practice Recommendations require the Board to consider the application of the relevant corporate governance principles, while recognising that departures from those principles are appropriate in some circumstances. As at the date of this Report BHP Billiton complies with the provisions set out in Section 1 of the Combined Code and the Best Practice Recommendations and has complied throughout the accounting period.

In June 2004, the Australian Parliament enacted the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (CLERP9) that applies for financial years beginning on or after 1 July 2004. BHP Billiton has reviewed the CLERP9 requirements and is satisfied that it meets those requirements.

12. Compliance continued

A checklist summarising BHP Billiton's compliance with the UK Combined Code (including the revised version that comes into effect for reporting years beginning on or after 1 November 2003), the Best Practice Recommendations published by the ASX Corporate Governance Council, and the CLERP9 requirements has been posted to the website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

BHP Billiton Limited and BHP Billiton Plc are registrants of the Securities and Exchange Commission in the US. Both companies are classified as foreign private issuers. Both companies have American Depositary Receipts listed on the New York Stock Exchange.

BHP Billiton has reviewed the governance requirements currently applicable to foreign private issuers under the Sarbanes-Oxley Act (US) including the rules promulgated by the Securities and Exchange Commission and the rules of the New York Stock Exchange and is satisfied that it complies with those requirements.

There are no significant differences between the governance practices adopted by BHP Billiton and the currently applicable requirements of the Sarbanes-Oxley Act, the Securities and Exchange Commission and the New York Stock Exchange.

While the Board of BHP Billiton is satisfied with its level of compliance with the governance requirements in Australia, the UK and the US, it recognises that practices and procedures can always be improved, and that there is merit in continuously reviewing its own standards against those in a variety of jurisdictions. The Board has operated under a program of review that will continue throughout the year ahead.

Remuneration Report at a Glance

Only the information contained in sections 2 to 7 of this Report (other than section 3.2.2) has been subject to audit.

Glossary of Terms

A number of abbreviations are used throughout this Report. To assist readers, the key abbreviations used are set out below.

Board	The Boards of Directors of BHP Billiton Limited and BHP Billiton Plc
CIP 2001	Co-Investment Plan 2001
Committee	The Remuneration Committee of BHP Billiton Limited and BHP Billiton Plc
Deferred Share	A nil-priced option or a conditional right to acquire a Share issued under the rules of the GIS
EBIT	Earnings Before Interest and Tax
EPS	Earnings Per Share. It is one of the Performance Hurdles for long-term incentives
ESP 1999	Employee Share Plan 1999
ESP 2000	Employee Share Plan 2000
Group	BHP Billiton Limited, BHP Billiton Plc and their subsidiaries
GIS	Group Incentive Scheme
KPI	Key Performance Indicator used to measure the performance of the Group, individual businesses and executives in any one year
MTI 2001	Medium Term Incentive Plan 2001
Option	A right to acquire a Share on payment of an exercise price issued under the rules of the GIS
Performance Hurdle	A specified target against which the Group's performance is measured to determine the extent to which long-term incentives might vest
Performance Share	A nil-priced option or a conditional right to acquire a Share, subject to Performance Hurdles, issued under the rules of the GIS
PSP 2000	Performance Share Plan 2000
PSP 2001	Performance Share Plan 2001
RSS 2001	Restricted Share Scheme 2001
Share	Fully paid Ordinary Share in the capital of BHP Billiton Limited or BHP Billiton Plc
Specified Executives	Those executives (other than executive Directors and numbering at least five) who have the greatest authority for managing the BHP Billiton Group
TSR	Total Shareholder Return is the change in share price plus dividends reinvested. It is one of the Performance Hurdles for long-term incentives

1. Remuneration Committee

1.1 Role

The Remuneration Committee operates under the delegated authority of the Board and assists the Board by focusing on the following activities:

- remuneration policy and its application to the Chief Executive Officer and those who report to the Chief Executive Officer
- adoption of annual and longer-term incentive plans
- determination of levels of reward to the Chief Executive Officer and approval of rewards to those who report to the Chief Executive Officer
- guidance to the Group Chairman on the annual evaluation of the Chief Executive Officer, and
- communication to shareholders on remuneration policy and the Committee's work on behalf of the Board.

The Committee is committed to the principles of accountability, transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance. Its activities are governed by terms of reference, which are available on the BHP Billiton website at *www.bhpbilliton.com/bb/aboutUs/governance.jsp*.

1.2 Membership and meetings

The following non-executive Directors were members of the Committee throughout the year:

- Dr John Buchanan (Chairman)
- Dr David Jenkins
- Lord Renwick of Clifton
- Dr John Schubert.

The Committee met eight times during the year. Attendance at those meetings is set out in the Corporate Governance Statement on page 36.

1.3 Advisors

The Group Chairman, the Chief Executive Officer and the Group Vice President Human Resources attend Committee meetings by invitation and have assisted the Committee in its deliberations during the year, except where matters associated with their own remuneration were considered.

In February 2004 the Committee appointed Kepler Associates as an independent external advisor to the Committee on matters of executive remuneration. The table below also lists the advisors who have been retained on behalf of the Group throughout the year.

Any information received by Group Human Resources, which is relevant to matters being considered by the Committee, is made available to Committee members.

Advisor	Services provided to the Remuneration Committee	Services provided to Group Human Resources	Other services provided to BHP Billiton
Kepler Associates	Advice on executive remuneration matters	–	–
Hay Group	–	• Job evaluations • Remuneration data	–
PricewaterhouseCoopers	–	• Remuneration benchmarking • Employee tax services	Audit, accounting, taxation and other services as disclosed in note 7 to the financial statements
Deloitte & Touche	–	• Long-term incentive plan performance measurement	Remuneration data
KPMG (1)	–	• Employee tax compliance and preparation services	Audit, accounting, taxation and other services as disclosed in note 7 to the financial statements
Towers Perrin	–	• Remuneration data • Actuarial calculations	Superannuation fund administration
Hewitt Bacon & Woodrow	–	• Retirement benefits and pensions governance advice • Actuarial advice	–
Ernst & Young	–	• Employee tax compliance and preparation services	Administration services relating to legacy BHP international assignees

Notes:
(1) The Group's external auditors provide services pursuant to the Group's policy relating to non-audit services, a copy of which is available at *www.bhpbilliton.com/bbContentRepository/AboutUs/Governance/OtherServicesPolicy.pdf*. Details of the auditors' fees associated with those services are set out in note 7 to the financial statements.

2. Remuneration Policy

The Committee recognises that the Group operates in a global environment and that its performance depends on the quality of its people. To prosper, the Group must be able to attract, motivate and retain highly-skilled executives willing to work around the world.

The key principles of the Group's remuneration policy are to:

- provide competitive rewards to attract and retain executive talent on a global basis
- apply demanding key performance indicators to deliver results across the Group and to a significant portion of the total reward
- link rewards to executives to the creation of value for shareholders
- assess and reward executives using financial and non-financial measures of performance
- ensure remuneration arrangements between executives are equitable and facilitate the deployment of human resources around the Group, and
- limit severance payments on termination to pre-established contractual arrangements which do not commit the Group to making unjustified payments in the event of non-performance.

3. Remuneration Structure

It is the Group's policy that service contracts for senior executives, including the Chief Executive Officer, be unlimited in term but capable of termination on 12 months' notice and that the Group retains the right to terminate the contract immediately, by making a payment equal to 12 months' pay in lieu of notice.

Some executives (but not the Chief Executive Officer) have existing service contracts that contain notice periods that exceed 12 months. The Committee has determined that it will limit notice periods to 12 months in all future contracts for executives, unless exceptional circumstances exist.

The service contracts typically outline the components of remuneration paid to executives but do not prescribe how remuneration levels are to be modified from year to year. Remuneration levels are reviewed each year to take account of cost-of-living changes, any change in the scope of the role performed by the executive and any changes required to meet the principles of the remuneration policy.

Remuneration is divided into two components. The first is the *fixed* component, which is generally made up of base salary and benefits, including retirement benefits. The second is the *at risk* component which is subject to Key Performance Indicators (KPIs) and Performance Hurdles and is generally made up of short and long-term incentives that take the form of cash payments and/or participation in equity plans. The amount of *at risk* remuneration, if any, that is earned by an executive is wholly dependent on that executive's and the Group's performance against those pre-determined KPIs and Performance Hurdles, details of which are set out in sections 3.2.1 and 3.2.2 of this Report. The percentage of total remuneration that is attributable to the *fixed* and *at risk* components for each of the executives for whom remuneration is reported is set out on pages 50, 53 and 57 of this Report.

The cost and value of all of the components are considered as a whole. BHP Billiton's remuneration policy is to pay at the median level of remuneration for *target* performance and to provide the opportunity for upper decile rewards for distinctive (upper decile) performance. Details of each element of remuneration are set out below.

3.1 *Fixed* remuneration

3.1.1 Base salary and benefits

Base salaries are quantified by reference to the scope and nature of the individual's role and their performance and experience. Market data is used to benchmark salary levels on a single global scale, adjusted for local conditions. Particular consideration is given to competitive global remuneration levels.

In addition to base salary, selected executives receive benefits that might include health insurance, relocation costs, life assurance, car allowances and tax advisory services. All benefits received by the executive Directors and Specified Executives, are outlined in sections 4 and 5 of this Report.

3.1.2 Retirement benefits

A range of retirement and death-in-service benefits operate within the Group. These reflect the different statutory entitlements in the jurisdictions in which BHP Billiton operates and local market practice.

Some retirement benefits are delivered under defined benefit plans. The Committee considers that these types of plans can place an unreasonable financial burden on the Group and has therefore resolved that no new members will be admitted to the remaining defined benefit plans, save in exceptional circumstances.

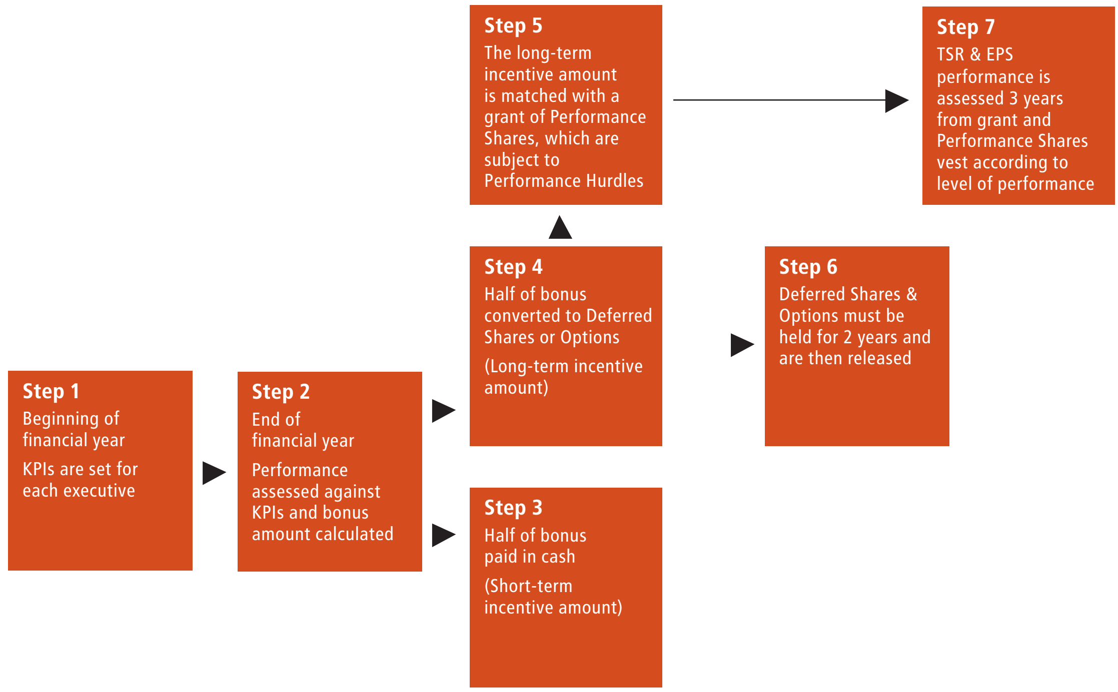
Details of the retirement benefits of the executive Directors and Specified Executives are set out in sections 4 and 5 of this Report.

3.2 *At risk* remuneration

At risk remuneration is delivered as short and long-term incentives under the Group Incentive Scheme (GIS) and applies to the Group's senior management, which includes the Company Secretary.

The GIS represents the variable component of remuneration and rewards senior executives for meeting or exceeding KPIs that are set each year and aligned to BHP Billiton's strategic framework. It is designed to drive sustainable, transparent performance in the long-term and reflects the Group's commitment to crucial operational targets. Participation in the GIS requires the approval of the Committee. Employees are required to hold a minimum number of BHP Billiton Shares throughout the period of their participation, which varies according to their seniority.

Summary of the operation of the Group Incentive Scheme



Some of the incentive plans replaced by the GIS in 2002 remain in operation although no new awards have been made under them. The last of the awards made under these plans will expire in 2011.

A summary of all incentive plans under which awards to executive Directors are still to vest or be exercised is set out in section 3.2.3 below. Entitlements held by Specified Executives under incentive plans are summarised in section 5.4 below and detailed in note 31 to the financial statements.

3.2.1 Group Incentive Scheme

A summary of the current operation of the GIS is set out above.

The Board has proposed a series of changes to the GIS, subject to the approval of shareholders. Further details of the proposed changes are set out in the Notices convening the 2004 annual general meetings or can be accessed on the website at *www.bhpbilliton.com/bbContentRepository/Events/PLCNOM04.pdf.* In summary, the changes are designed to provide additional focus on the long-term performance of the Group. To achieve this aim, Directors will propose that the three-year Performance Shares component of the GIS be replaced with awards under a new five-year plan. The manner of assessing the remaining components of *at risk* remuneration under the GIS – cash bonus and Deferred Shares – will remain intact.

The rules of the GIS are available on the BHP Billiton website at *www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf* and *www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonPlcGIS.pdf.*

During the year, Performance Shares were granted to GIS participants in respect of their performance for the year 1 July 2002 to 30 June 2003. These are subject to Performance Hurdles, based on Earnings Per Share (EPS) growth and comparative Total Shareholder Return (TSR) during the performance period (1 July 2003 to 30 June 2006), to be measured in 2006.

To vest, Performance Hurdles for both BHP Billiton Plc and BHP Billiton Limited must be reached –

- The EPS growth targets will be satisfied if the compound EPS growth for the Group during the performance period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus 2 per cent per annum, over the performance period.
- If the TSR calculations for BHP Billiton Limited and BHP Billiton Plc over the performance period result in one entity receiving a higher TSR percentile than the other, both will be deemed to have achieved the lower TSR percentile. The level of vesting is as follows:

TSR percentile	% of Performance Shares that will vest
85th – 100th percentile	100
80th < 85th percentile	90
75th < 80th percentile	80
70th < 75th percentile	70
65th < 70th percentile	65
60th < 65th percentile	60
55th < 60th percentile	50
50th < 55th percentile	40
Less than 50th percentile	None

The peer group of companies against which BHP Billiton's TSR performance is measured comprises:

• Alcan	• Marathon Oil Company
• Alcoa	• Newmont Mining
• Alumina	• Noranda
• Anglo American	• Phelps Dodge
• Barrick Gold	• Placer Dome
• Companhia Vale do Rio Doce	• Rio Tinto
• Conoco Phillips	• Unocal
• Freeport-McMoRan	• Woodside Petroleum
• Inco	• Xstrata

These Performance Hurdles were chosen to encourage participants to focus on the long-term performance of the Group.

3.2.2 Performance of BHP Billiton

The KPIs for the year 1 July 2003 to 30 June 2004 were based on Group, individual business and personal measures. There are three levels of performance against each of the KPIs: performance at *threshold* (the minimum necessary to qualify for any reward); *target* (where the performance requirements have been met); and *stretch* (where performance is exceeded).

The Group KPIs measured performance in delivering against specific health, safety and environment targets and achieving specified levels of performance against financial targets.

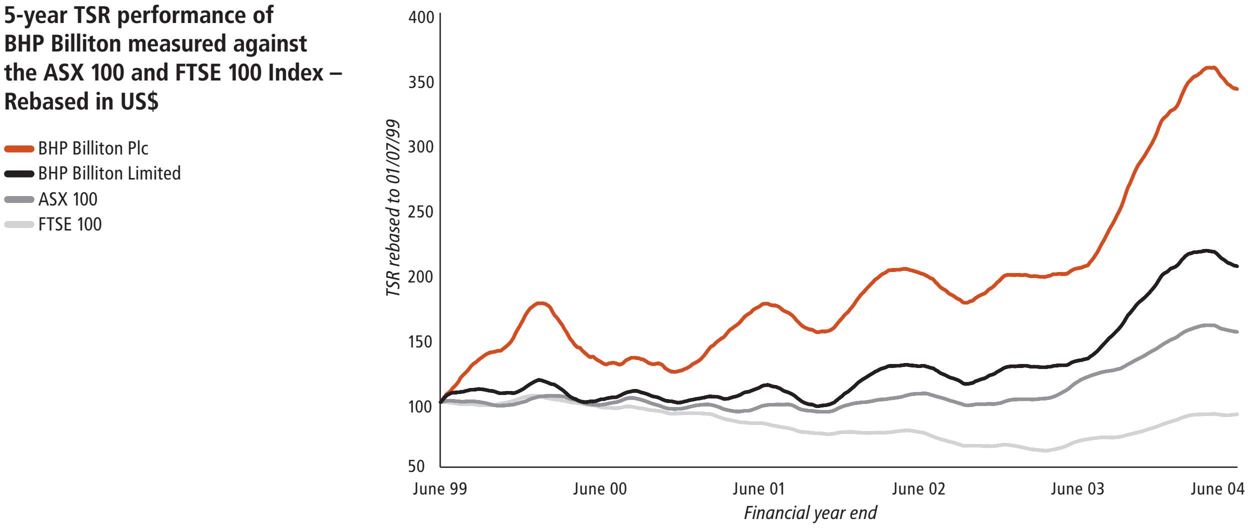
The levels of performance achieved in relation to each of the primary group measures were as follows:

Group KPIs	Level of performance achieved as determined by the Committee
Health, safety and environment	Below *threshold*
Shareholder Value Added	*Stretch*
Net Present Value Added	Between *target* and *stretch*
ROCE	*Stretch*
EPS	*Stretch*
Cost Savings	Between *target* and *stretch*

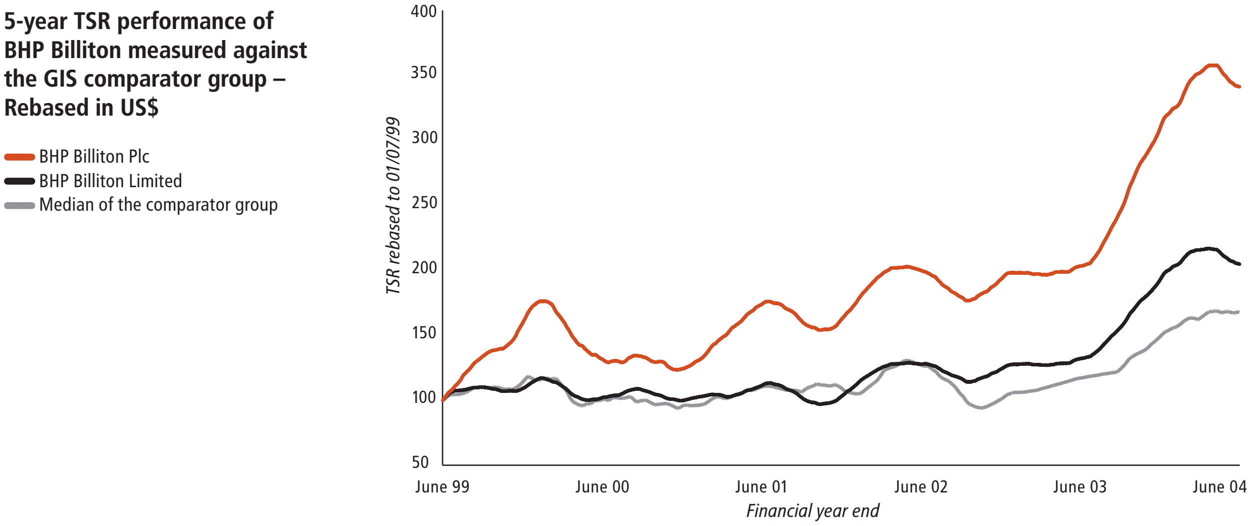
The performance of the Group relative to the markets in which it operates, over the past five years, is illustrated by the two graphs below.

The first compares BHP Billiton's Total Shareholder Return performance to the ASX 100 and the FTSE 100. The second illustrates performance against the GIS comparator group, set out above.

5-year TSR performance of BHP Billiton measured against the ASX 100 and FTSE 100 Index – Rebased in US$



5-year TSR performance of BHP Billiton measured against the GIS comparator group – Rebased in US$



Source of information: Datastream

For the period 1 July 2003 to 30 June 2004 the total return to BHP Billiton Limited shareholders (as measured by the change in share price plus dividends paid) was 55 per cent. Over the same period the return to BHP Billiton Plc shareholders was 68 per cent.

The TSR performance for BHP Billiton Limited is inclusive of Bonus Share awards and is adjusted for the demerger of OneSteel Limited. The TSR performance for both BHP Billiton Limited and BHP Billiton Plc is adjusted for the demerger of BHP Steel Limited (now known as BlueScope Steel Limited).

Market price of Shares

	At 30 June 2004	Highest price in the year ended 30 June 2004	Lowest price in the year ended 30 June 2004
BHP Billiton Plc	£4.785	£5.265 (2 April 2004)	£3.11 (1 July 2003)
BHP Billiton Limited	A$12.53	A$12.78 (3 March 2004)	A$8.36 (2 July 2003)

3.2.3 Long-term incentive plans – summary

The long-term incentive plans in which the executive Directors have unvested or unexercised awards at the date of this Report are summarised in the table below.

	Employee Share Plan 2000 (ESP 2000)[1]	**Performance Share Plan 2001 (PSP 2001) & Restricted Share Scheme 2001 (RSS 2001)**	**Medium Term Incentive Plan 2001 (MTI 2001) & Co-Investment Plan 2001 (CIP 2001)**	**Group Incentive Scheme (GIS) 2002 Performance Shares (Transition Year)**	**Group Incentive Scheme (GIS) 2003 Performance Shares**
Performance measurement From To	 3 April 2000 2 April 2003	 1 October 2001 30 September 2004	 1 October 2001 30 September 2005 [2]	 1 July 2002 30 June 2005	 1 July 2003 30 June 2006
Retesting available (i.e. a further opportunity to test performance after the first performance period has ended)	Yes, monthly until 2 April 2010	Yes, annually until 30 September 2006 but only applies to 25% of the award if retested	No	No	No
TSR performance condition	BHP Billiton Limited TSR compared to ASX 100 and global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group
Inflationary performance condition	No	Yes [3]	Yes [3]	Yes [4]	Yes [4]
Vesting schedule (upper and lower range)	< 41 percentile – 0% > 60 percentile 100%	< 10th position – 0% > 4th position – 100%[5]	< 10th position – 0% > 4th position – 80% [6]	< 50th percentile – 0% 85th–100 percentile 100%	< 50th percentile – 0% 85th–100 percentile 100%
Plan status	Legacy plan. Awards have met Performance Hurdles and are capable of being exercised.	Legacy plan. performance period not yet concluded.	Legacy plan. performance period not yet concluded.	Performance period not yet concluded.	Performance period not yet concluded.
Expiry date if exercisable	April 2010 [7]	September 2011 [7]	April 2006 [7]	August 2008	August 2009
Comparator Group[8]:					
ASX 100	X				
Alcan		X	X	X	X
Alcoa		X	X	X	X
Alumina		X	X	X	X
Anglo American		X	X	X	X
Arcelor	X				
Barrick Gold		X	X	X	X
Companhia Vale do Rio Doce		X	X	X	X
Conoco Phillips	X	X	X	X	X
Corus Group	X				
Freeport McMoran	X	X	X	X	X
Inco		X	X	X	X
LTV	X				
Marathon Oil	X	X	X	X	X
Newmont Mining		X	X	X	X
Noranda	X	X	X	X	X
Nucor	X				
Phelps Dodge	X	X	X	X	X
Placer Dome		X	X	X	X
Rio Tinto	X	X	X	X	X
Total	X				
Unocal	X	X	X	X	X
US Steel	X				
WMC Resources	X				
Woodside Petroleum	X	X	X	X	X
Xstrata				X	X

Full details of all long-term incentive plans, including the number of participants is contained in note 23 to the financial statements.

Notes:

(1) Although the awards under this plan have vested, the executive Directors have not yet exercised their awards and still retain an interest in the plan.

(2) The first performance period ended 30 September 2003. At that time, participants had the option to remain within the plan and enter a second performance period or leave the plan. The second performance period is a further two years ending on 30 September 2005.

(3) The TSR growth targets will be satisfied if the compound TSR growth for the Group during the performance period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus 2 per cent per annum, over the performance period.

(4) The EPS growth targets will be satisfied if the compound EPS growth for the Group during the performance period is at least equal to the greater of the increase in the Australian Consumer Price Index and the increase in the UK Retail Price Index, plus 2 per cent per annum, over the performance period.

(5) The percentage of performance rights that vest under the PSP 2001 will not be greater than the percentage of the Share award that vests under the RSS 2001 and vice versa.

(6) In respect of the second performance period > 4th position will mean a match of 125 per cent of Shares held by a participant. The percentage of performance rights that vest under the MTI 2001 will not be greater than the percentage of the Share award that vests under the CIP 2001 and vice versa.

(7) Expiry date will be earlier if employment ceases.

(8) From publicly available data.

4. Executive Directors

At the date of this Report there were two executive Directors in office, Mr Charles Goodyear and Mr Miklos (Mike) Salamon. The following sections detail their remuneration arrangements.

4.1 Mr Charles Goodyear

4.1.1 Summary of remuneration arrangements

Mr Goodyear's remuneration is made up of *fixed* and *at risk* components. For the year ended 30 June 2004, *fixed* remuneration, which comprises base salary, retirement benefits and other benefits, equals 51 per cent of total remuneration, when calculated at the *target* level of performance.

The *at risk* remuneration is made up of short and long-term incentives. Short-term incentives generally take the form of cash and are measured against KPIs. Long-term incentives are delivered through equity awards and are measured against Performance Hurdles. *At risk* remuneration for the year ended 30 June 2004 equals 49 per cent of total remuneration when calculated at the *target* level of performance.

The Committee has assessed Mr Goodyear's performance for the year and has concluded that, save for the KPI relating to Health, Safety and Environment, it was above *target* (see section 3.2.2 of this Report for the assessment in relation to the Group KPIs). Accordingly, the value of the *at risk* remuneration, and therefore the percentage of the total that is attributable to *at risk* remuneration, will be greater than the percentage at *target* level.

The tables that appear in sections 4.1.3 and 4.1.4 of the Report have been prepared in accordance with the law and accounting standards in Australia and the UK. While the information presented is fulsome, it does not readily give a picture of the amount of remuneration Mr Goodyear earned for the year. One of the reasons for this is that the value of the *at risk* remuneration cannot be finally determined until (i) approval to issue Shares has been granted by shareholders; (ii) the price at which the Shares are issued is known; and (iii) the performance period has expired and performance has been assessed against the Performance Hurdles. For these reasons the value of the *at risk* remuneration has to be estimated.

In the case of Deferred Shares the only vesting condition is for Mr Goodyear to remain in the employment of the Group for two further years. In the case of Performance Shares, the Performance Hurdles include TSR and EPS measures. Accordingly, the number, if any, of Shares that will ultimately vest cannot be determined until the service period has been completed or the Performance Hurdles have been assessed (in 2006 in the case of Deferred Shares and 2007 in the case of Performance Shares). The value of the Shares that form part of the *at risk* remuneration appearing throughout this section of the Report, are therefore estimates.

The summary below outlines Mr Goodyear's *fixed* and *at risk* remuneration for the year ended 30 June 2004.

Component of remuneration	Amount US$	Further information
***Fixed* remuneration**		
(Comprising base salary and benefits including retirement benefits)	2 171 071	see section 4.1.3
***At risk* remuneration**		
Cash bonus	1 070 125	see section 4.1.3
Estimated fair value of the Deferred Shares	997 504	see section 4.1.4
Notional fair value of the Performance Shares	449 453	see section 4.1.4
Estimated total remuneration for financial year 2004	4 688 153	

At this year's annual general meetings shareholders will be asked to approve amendments to the GIS which will include the replacement of the three-year Performance Share component of the GIS with an award of Shares under a new five-year plan. If this resolution is approved no Performance Shares will be issued to Mr Goodyear in relation to the 2004 year. Shares under the new five-year plan will be issued in their place. Details of the proposed number of Shares and the Performance Hurdles that will apply are detailed in the Notices convening the annual general meetings. The method of assessing the remaining parts of the *at risk* remuneration under the GIS – the cash bonus and Deferred Shares/Options – will remain intact. The table above includes a notional fair value for the Performance Shares that would be issued (subject to shareholders' approval) under the existing terms of the GIS.

4.1.2 Service contract

Mr Goodyear has a single service contract with BHP Billiton Limited and BHP Billiton Plc dated 21 August 2003. The contract does not contain a fixed term and can be terminated by the Group on 12 months' notice. Mr Goodyear is entitled to terminate the contract on three months' notice. The Group may immediately terminate the contract by paying Mr Goodyear 12 months' base salary in lieu of notice. Where a payment is made in lieu of notice, a contribution to a superannuation or pension fund is also payable (see section 4.1.5 below).

Any entitlement Mr Goodyear might have in relation to short and long-term incentives is covered by the GIS (details of which are set out in section 3.2.1). The rules of that scheme outline the circumstances in which Mr Goodyear (and any other participant) would be entitled to receive any Deferred Shares, Options or Performance Shares that had been granted but which had not vested at the date of termination. The rules of the GIS also outline the circumstances in which Mr Goodyear would be entitled to a cash bonus payment for the performance year in which he leaves the Group. Those circumstances depend on the reason for his departure.

The Committee has discretion in relation to the entitlements of an employee on termination in some circumstances. This will include situations where the employee does not resign or is

4.1.2 Service contract continued

not terminated for cause, for example, where the Group and Mr Goodyear reach a mutual decision to part. In an effort to provide the Group, its shareholders and Mr Goodyear with as much certainty as possible in relation to his entitlements at termination, the Committee has considered what Mr Goodyear's entitlements might be if a mutual decision to part was reached. The Committee has resolved that, providing Mr Goodyear has served as Chief Executive Officer for no less than three years, he would be entitled to:

- any Deferred Shares or Options that had been granted but were not exercisable at the date of departure. The Committee believes that if the performance measures for the grant of these Deferred Shares or Options have already been met, save for the requirement that they be held for two years from the date of grant, a mutual decision to part would override that additional requirement to hold the Deferred Shares or Options for the balance of the two-year period,
- a cash bonus for the year in which the parting takes place, calculated according to Mr Goodyear's performance measured against his KPIs for that year, and pro-rated back to reflect the actual period of service in that year, and
- a right to retain entitlements to Performance Shares that have been granted but that are not yet exercisable, pending satisfaction of Performance Hurdles. The entitlements will be pro-rated to reflect Mr Goodyear's period of service from the date the awards were granted and will only become exercisable if and when the Performance Hurdles are met.

These entitlements would not arise if Mr Goodyear's contract was terminated for cause or if he resigned. Details of how the GIS would operate in those circumstances are set out in the rules, a copy of which is available on the website at *www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf*.

Where the Committee retains discretion in relation to the award of any long or short-term incentives, the rules of the GIS require the Committee to exercise that discretion in good faith and acting reasonably.

Mr Goodyear would be entitled to any accrued entitlement that he may have under the rules of the Retirement Savings Plan at the date of termination as set out in section 4.1.5 below.

4.1.3 Remuneration

The remuneration paid to Mr Goodyear for the year ended 30 June 2004 is set out in the table below.

Mr Goodyear participated in the GIS throughout the year. The target cash bonus amount, set by the Committee at the beginning of the year, was 70 per cent of salary. Group KPIs represented a 75 per cent weighting and personal KPIs 25 per cent. The Committee has assessed the Group's and Mr Goodyear's performance for the year and awarded 85.6 per cent of salary as a cash bonus. The Committee has set Mr Goodyear's KPIs for the year ended 30 June 2005 and has again set a target cash bonus amount of 70 per cent of salary. Group KPIs for the year will represent an 80 per cent weighting. Personal KPIs include additional value added growth projects, project performance, demonstrable value from the market, succession planning and corporate strategic issues.

US Dollars

Base salary	Other benefits (1)	Retirement benefits (2)	Annual cash bonus	Value of Deferred Shares (3)	Subtotal 2004 UK GAAP	Subtotal 2003 UK GAAP	Share-based compensation – long-term (4)	Adjustment for Deferred Share vesting period (5)	Total 2004 Australian GAAP	Total 2003 Australian GAAP
FIXED	***FIXED***	***FIXED***	***AT RISK***	***AT RISK***			***AT RISK***	***AT RISK***		
1 250 000	321 071	600 000	1 070 125	997 504	4 238 700	3 734 357	590 330	(385 548)	4 443 482	3 543 809

Notes:

(1) Other benefits
Includes medical insurance and professional fees. Mr Goodyear also received a relocation allowance and expenses.

(2) Retirement benefits
Mr Goodyear is entitled to receive 48 per cent of his salary in the form of retirement benefits. For the period July to September 2003 he took this benefit as a cash gratuity. From October 2003, he elected to defer receipt and participate in the Group's Retirement Savings Plan.

(3) Deferred Shares
This represents the estimated fair value of Deferred Shares earned in the year. The actual Deferred Shares will be awarded to Mr Goodyear subject to approval by shareholders at the annual general meetings in 2004. Mr Goodyear can elect to receive Options instead of Deferred Shares or a combination of both.

(4) Share-based compensation – long-term
The amount in respect of long-term Share-based compensation represents the estimated value of awards granted under the long-term incentive schemes. The estimated value has been calculated using a Black-Scholes option pricing methodology (taking no account of Performance Hurdles) adjusted to reflect the expected vesting percentage. Details of outstanding awards and awards vesting in the year are set on in the tables below. The estimated value of the award made in any year is allocated in equal amounts to each of the years during the performance period, but is adjusted each year to reflect the then expected vesting percentage on a cumulative basis.

(5) In accordance with UK GAAP, 100 per cent of the estimated fair value of Deferred Shares earned during the 2004 year is included in the remuneration in the column headed 'Value of Deferred Shares'. Under Australian GAAP, such remuneration for the current and earlier years is to be included over the vesting period. The column headed 'Adjustment' represents the difference between the measurement methods. Hence the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with Deferred Shares under Australian GAAP.

4.1.4 Share and Option plans

The tables below set out details of Mr Goodyear's interests in incentive plans including the number of Shares and Options awarded in the financial year ended 30 June 2004. All Shares and Options issued form part of Mr Goodyear's *at risk* remuneration. The extent to which Shares (save for Deferred Shares and Options) will vest is wholly dependent on the extent to which the Performance Hurdles are met.

Share options

	BHP Billiton Limited Ordinary Shares under option							
Scheme	At 1 July 2003	Granted (2)	Exercised (3)	Lapsed	At 30 June 2004	Exercise price (4)	First exercise date	Expiry date
GIS 2003 Options		320 725	–	–	320 725	A$11.11	August 2005	August 2008
ESP 2000 (1)	722 785	–	–	–	722 785	A$7.60	3 April 2003	2 April 2010
ESP 1999 (1)	557 576	–	206 511	–	351 065	A$6.92	23 April 2002	22 April 2009

Notes:
(1) All of this award is exercisable.
(2) The market price of BHP Billiton Limited Shares on date of grant (21 November 2003) was A$10.76. The fair market value per Option was A$2.92.
(3) The market price on the date of exercise (23 December 2003) was A$11.93. The aggregate gain was A$1 034 676. Options over 351 065 Shares remain exercisable.
(4) Represents the exercise price payable on Options.

Shares awarded

	BHP Billiton Limited Ordinary Shares under award					
Scheme	At 1 July 2003	Granted (1)	Vested (2)	Lapsed	At 30 June 2004	Vesting date
GIS 2003 Deferred	–	28 093	–	–	28 093	August 2005
GIS 2003 Performance	–	112 375	–	–	112 375	August 2006
GIS 2002 Performance	180 154	–	–	–	180 154	August 2005
PSP 2001	136 573	–	–	–	136 573	1 October 2004
PSP 2000	184 483	–	184 483	–	–	1 July 2003
Total	501 210	140 468	184 483	–	457 195	

Notes:
(1) The market price of BHP Billiton Limited Shares on date of grant (21 November 2003) was A$10.76. The fair market value per Performance Share and Deferred Share was A$4.58 and A$10.03 respectively.
(2) 75 per cent of the Shares vested on 1 July 2003, following the end of the performance period, and the BHP Billiton Limited market price was A$8.56. The remaining 25 per cent vested on 1 September 2003, and the BHP Billiton Limited market price was A$11.00. The market price on the date of exercise (18 September 2003) was A$10.80. The aggregate gain was A$1 992 416.

4.1.5 Retirement benefits

Mr Goodyear's remuneration includes a payment in lieu of a contribution by the Group to a superannuation or pension fund fixed at an annual rate of 48 per cent of base salary. Mr Goodyear may elect to have this paid into a superannuation or pension fund or, instead, to defer receipt, subject to the rules of a Retirement Savings Plan established for this purpose which allow Mr Goodyear to accumulate these annual payments and to defer receipt until after he retires from the Group. The Plan allows Mr Goodyear to establish retirement savings arrangements that best meet his needs.

In the event of death-in-service, a benefit of four times base salary will be paid. The overall annual pension payable to his spouse at the time of his death, until she dies, will be equal to two-thirds of one-thirtieth of Mr Goodyear's pensionable salary at date of death, for each year of service from 1 January 2003 to his normal retirement date. Periods of service where Mr Goodyear received his retirement benefit in the form of the cash gratuity will be disregarded for the purpose of calculating any pension amount.

4.2 Mr Miklos (Mike) Salamon

4.2.1 Summary of remuneration arrangements

Mr Salamon's remuneration is made up of *fixed* and *at risk* components. For the year ended 30 June 2004, *fixed* remuneration, which comprises base salary, retirement benefits and other benefits, equals 55 per cent of total remuneration, when calculated at the *target* level of performance.

The *at risk* remuneration is made up of short and long-term incentives. Short-term incentives generally take the form of cash and are measured against KPIs. Long-term incentives are delivered through equity awards and are measured against Performance Hurdles. *At risk* remuneration for the year ended 30 June 2004 equals 45 per cent of total remuneration when calculated at the *target* level of performance.

The Committee has assessed Mr Salamon's performance for the year and has concluded that, save for the KPI relating to Health, Safety and Environment, it was above *target* (see section 3.2.2 of this Report for the assessment in relation to the Group KPIs). Accordingly, the value of the *at risk* remuneration, and therefore the percentage of the total that is attributable to *at risk* remuneration, will be greater than the *target* percentage.

The tables that appear in sections 4.2.3 to 4.2.5 of the Report have been prepared in accordance with the law and accounting standards in Australia and the UK. While the information presented is fulsome, it does not readily give a picture of the amount of remuneration Mr Salamon earned for the year. One of the reasons for this is that the value of the *at risk* remuneration cannot be finally determined until (i) approval to issue Shares has been granted by shareholders; (ii) the price at which the Shares are issued is known; and (iii) the performance period has expired and performance has been assessed against the Performance Hurdles. For these reasons the value of the *at risk* remuneration has to be estimated.

In the case of Deferred Shares the only vesting condition is for Mr Salamon to remain in the employment of the Group for two further years. In the case of Performance Shares, the Performance Hurdles include TSR and EPS measures. Accordingly, the number, if any, of Shares that will ultimately vest cannot be determined until the service period has been completed and the Performance Hurdles have been assessed (in 2006 in the case of Deferred Shares and 2007 in the case of Performance Shares). The value of the Shares that form part of the *at risk* remuneration appearing throughout this section of the Report, are therefore estimates.

The summary below outlines Mr Salamon's *fixed* and *at risk* remuneration for the year ended 30 June 2004.

At this year's annual general meetings shareholders will be asked to approve amendments to the GIS which will include the replacement of the three-year Performance Share component of the GIS with an award of Shares under a new five-year plan. If this resolution is approved no Performance Shares will be issued to Mr Salamon in relation to the 2004 year. Shares under the new five-year plan will be issued in their place. Details of the proposed number of Shares and the Performance Hurdles that will apply are detailed in the Notices convening the 2004 annual general meetings. The method of assessing the remaining parts of the *at risk* remuneration under the GIS – the cash bonus and Deferred Shares/Options – will remain intact. The table above includes a notional fair value for the Performance Shares that would be issued (subject to shareholders' approval) but for the proposed amendments to the GIS.

Component of remuneration	Amount US$	Further information
Fixed remuneration		
(Comprising base salary and benefits including retirement benefits)	1 895 370	see section 4.2.3
At risk remuneration		
Cash bonus	852 089	see section 4.2.3
Estimated fair value of the Deferred Shares	784 326	see section 4.2.4
Notional fair value of the Performance Shares	357 877	see section 4.2.4
Estimated total remuneration for financial year 2004	3 889 662	

4.2.2 Service contract

Mr Salamon has contracts of employment with BHP Billiton Plc and BHP Billiton Services Jersey Limited, a wholly-owned subsidiary of BHP Billiton Plc, both dated 1 September 2003.

Mr Salamon's employment agreements automatically terminate on his sixtieth birthday. At any time prior to his sixtieth birthday each service contract can be terminated by either the Group or Mr Salamon providing 12 months' notice. The Company may make a payment in lieu of notice of 12 months, equal to 150 per cent of base salary. This payment reflects the market practice at the time the terms were agreed.

The Committee has not considered the circumstances in which it would exercise its discretion to allow Mr Salamon to maintain any ongoing participation in relation to the long-term incentive schemes in which he participates in the event of his departure. Those entitlements, if any, will be governed by the rules of the schemes at the date of departure.

4.2.3 Remuneration

The remuneration paid to Mr Salamon for the year ended 30 June 2004 is set out in the table below.

Mr Salamon participated in the GIS throughout the year. The target cash bonus amount, set by the Committee at the beginning of the year, was 70 per cent of adjusted salary. Group KPIs represented 30 per cent of the total performance measures. Fifty per cent of the weighting applied to KPIs in relation to the operating business and the remaining 20 per cent was attributable to personal KPIs. The Committee has assessed the Group's and Mr Salamon's performance for the year and awarded 89.8 per cent of adjusted salary as a cash bonus. The Committee has set Mr Salamon's KPIs for the year ended 30 June 2005 and has again set a target cash bonus amount of 70 per cent of salary. Group KPIs for the year will represent 30 per cent of the total performance measures. Forty per cent of the weighting will apply to KPIs in relation to the operating business. The remaining 30 per cent is attributable to personal KPIs that include performance of key senior executives reporting to Mr Salamon, safety-oriented operating discipline, performance of key projects in the Non-Ferrous Materials group, development of the BHP Billiton Way and the function of the Operating Committee.

US Dollars

Base salary	Other benefits (1)	Annual cash bonus	Value of Deferred Shares (2)	Subtotal 2004 UK GAAP	Subtotal 2003 UK GAAP	Retirement benefits (3)	Share-based compensation – long-term (4)	Adjustment for Deferred Share vesting period (5)	Total 2004 Australian GAAP	Total 2003 Australian GAAP
FIXED	*FIXED*	*AT RISK*	*AT RISK*			*FIXED*	*AT RISK*	*AT RISK*		
1 197 666	42 581	852 089	784 326	2 876 662	2 542 388	655 123	622 057	(314 751)	3 839 091	2 947 460

Notes:
(1) Other benefits
Includes medical insurance, life assurance related benefits, car allowance and professional fees.
(2) Deferred Shares
This represents the estimated fair value of Deferred Shares earned in the year. The actual Deferred Shares will be awarded to Mr Salamon subject to approval by shareholders at the annual general meetings in 2004. Mr Salamon can elect to receive Options instead of Deferred Shares or a combination of both.
(3) Retirement benefits
The estimated benefit in respect of pensions includes contributions payable in respect of actual/notional contributions that would have been required to secure the defined benefit promises earned in the year. Details of the defined benefit pension entitlements earned by Mr Salamon are set out on page 55.
(4) Share-based compensation – long-term
The amount in respect of long-term Share-based compensation represents the estimated value of awards granted under the long-term incentive schemes. The estimated value has been calculated using a Black-Scholes option pricing methodology (taking no account of Performance Hurdles) adjusted to reflect the expected vesting percentage. Details of outstanding awards and awards vesting in the year are set out in the tables below. The estimated value of the award made in any year is allocated in equal amounts to each of the years during the performance period, but is adjusted each year to reflect the then expected vesting percentage on a cumulative basis.
(5) In accordance with UK GAAP, 100 per cent of the estimated fair value of Deferred Shares earned during the 2004 year is included in the remuneration in the column headed 'Value of Deferred Shares'. Under Australian GAAP, such remuneration for the current and earlier years is to be included over the vesting period. The column headed 'Adjustment' represents the difference between the measurement methods. Hence the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with Deferred Shares under Australian GAAP.

4.2.4 Share and Option plans

The table below sets out details of Mr Salamon's interests in incentive plans including the number of Shares awarded in the financial year ended 30 June 2004. All of the Shares and Options issued form part of Mr Salamon's *at risk* remuneration. The extent to which Shares (save for Deferred Shares and Options) vest will be wholly dependent on the extent to which the Performance Hurdles are met.

Shares awarded

Scheme	BHP Billiton Plc Ordinary Shares under award					Vesting date
	At 1 July 2003	Granted (1)	Vested	Lapsed (2)	At 30 June 2004	
GIS 2003 Deferred	–	89 056	–	–	89 056	August 2005
GIS 2003 Performance	–	89 056	–	–	89 056	August 2006
GIS 2002 Performance	193 706	–	–	–	193 706	August 2005
CIP 2001	107 206 (3)	–	–	11 911	95 295	1 October 2005
RSS 2001	198 163	–	–	–	198 163	1 October 2004
Total	499 075	178 112	–	11 911	665 276	

Notes:
(1) The market price of BHP Billiton Plc Shares on date of grant (21 November 2003) was £4.32. The fair market value per Performance Share and Deferred Share was £1.84 and £3.98 respectively.
(2) The first performance period ceased on 30 September 2003. Based on the performance measured at the end of the first performance period, 60 per cent out of a maximum of 80 per cent Matching Shares were capable of vesting. The remaining 20 per cent lapsed. Correspondingly, the maximum that can vest at the end of the second performance period has also been reduced. Mr Salamon did not elect to leave the CIP at the end of the first performance period and will remain in the Plan until October 2005.
(3) Includes 26 471 Committed Shares invested by Mr Salamon.

4.2.5 Retirement benefits

Defined Benefit Pension (US Dollars)

Amount by which the annual pension entitlement has increased during the year ended 30 June 2004 (1)	Total annual pension entitlement as at 30 June 2004	Estimated capital value (transfer value) of the increase in annual pension entitlement (1)	Estimated capital value (transfer value) of total accrued pension at 30 June 2004	Estimated capital value (transfer value) of total accrued pension at 30 June 2003
78 720	768 503	2 169 571	7 870 626	5 701 055

Notes:

(1) The increase in accrued pension is the difference between the accrued pension at the end of the previous year and the accrued pension at the end of the year without any allowance for inflation. The increase in transfer value of total accrued pension is the difference between the transfer value at the end of the year and the transfer value at the beginning of the year less the contributions made to the scheme by the Director also without any allowance for inflation.

The increase in accrued pension after making an allowance for inflation of 3 per cent (2003: 3.3 per cent) was US$58 026 (2003: US$63 966) and the transfer value of that increase less the contributions made to the scheme by the Director was US$594 275 (2003: US$578 420).

BHP Billiton Plc and BHP Billiton Services Jersey Limited have established non-contributory defined benefit pension arrangements under which Mr Salamon will be entitled to a pension at normal retirement date (age 60), equal to two-thirds of pensionable salary provided he has completed 20 years service with the Group or predecessor companies. Only base salary is pensionable. At the date of this Report Mr Salamon was 49 years of age.

Each year Mr Salamon has the right to determine whether his pension provision for that year's salary under each service contract with BHP Billiton Plc and BHP Billiton Services Jersey Limited is made under a defined benefit or defined contribution arrangement for service after 1 July 1997. Alternatively, he can choose to receive a cash sum at equivalent cost to the Group. Once he has completed 20 years or more service, the cash sum option will no longer be available to him.

If he has chosen in any year to have a defined contribution arrangement he may elect subsequently to have the defined contribution benefit for that year and any previous years converted to a defined benefit promise, in which case he must surrender the defined contribution benefit accrued.

If Mr Salamon retires before age 60, his accrued defined benefit pension entitlement will normally be reduced for early payment at the rate of 4 per cent per annum.

In terms of the rules of the scheme all pensions in payment will be indexed in line with the retail price index.

In the event of death-in-service, a lump sum benefit of four times base salary will be paid. A spouse's pension on death-in-service of two-thirds of the prospective pension will also be paid.

In the event of the death of Mr Salamon while in retirement, a surviving spouse's pension of two-thirds of the pension in payment, before the effect of commutation, will be paid.

5. Specified Executives and Highest Paid Officers (other than Directors)

The Specified Executives of the Group are those executives, other than executive Directors and numbering at least five, who have the greatest authority for managing the Group. This section contains information relating to that group of executives.

As noted in section 3.1 above, senior executives' total remuneration is divided into two components – *fixed* and *at risk*. The *at risk* component is derived only in circumstances where the individual has met challenging KPIs and Performance Hurdles which contribute to the Group's overall profitability and performance.

5.1 Service contracts

As outlined in section 3, it is the Group's policy that service contracts for senior executives are unlimited in term but capable of termination on 12 months' notice and that the Group retains the right to terminate the contract immediately, by making a payment equal to 12 months' pays in lieu of notice. Where contracts contain notice periods in excess of 12 months those contracts reflect market practice at the time the terms were agreed.

As reported in section 3, the service contracts typically outline the components of remuneration paid to the executive but do not prescribe how remuneration levels are to be modified from year to year.

The termination provisions in the service contracts with the Specified Executives are summarised in the table below.

Name and job title	Employing company	Notice period company	Notice period employee	Termination provisions (1)
Philip Aiken, Group President Energy	BHP Billiton Limited	12 months	6 months	On termination the Company may make a payment in lieu of notice equal to 12 months base salary plus the superannuation or retirement benefit contribution for that period
Marius Kloppers, Chief Commercial Officer	BHP Billiton Plc	12 months	6 months	On termination the Company may make a payment in lieu of notice equal to 12 months base salary plus the superannuation or retirement benefit contribution for that period
Chris Lynch, Chief Financial Officer	BHP Billiton Limited	12 months	6 months	On termination the Company may make a payment in lieu of notice equal to 12 months base salary plus the superannuation or retirement benefit contribution for that period
Robert Kirkby, President Carbon Steel Materials	BHP Billiton Limited	12 months	6 months	On termination the Company may make a payment in lieu of notice equal to 12 months base salary plus the superannuation or retirement benefit contribution for that period
John Fast, Chief Legal Counsel	BHP Billiton Limited	3 months	3 months	On termination the Company may make a payment in lieu of notice equal to 3 months base salary plus a termination payment of 21 months base salary

Notes:
(1) The Committee has not considered the circumstances in which it would exercise its discretion to allow the executives to maintain any ongoing participation in relation to the long-term incentive schemes in which they participate in the event of their departures. Those entitlements, if any, will be governed by the rules of the schemes at the date of departure.

5.2 Remuneration

The table below outlines the *fixed* and *at risk* remuneration of the specified executives for the year ended 30 June 2004.

Executive	Base salary	Other benefits (1)	Annual cash bonus	Value of Deferred Shares (2)	Subtotal 2004 UK GAAP	Subtotal 2003 UK GAAP	Retirement benefits (3)	Share-based compensation – long-term (4)	Adjustment for Deferred Share vesting period (5)	Total 2004 Australian GAAP	Total 2003 Australian GAAP
US Dollars	***FIXED***	***FIXED***	***AT RISK***	***AT RISK***			***FIXED***	***AT RISK***	***AT RISK***		
Philip Aiken	882 427	519 032	642 716	599 099	2 643 274	2 162 896	318 556	490 128	(225 782)	3 226 176	2 281 001
Marius Kloppers	719 262	158 398	647 228	595 759	2 120 647	1 933 182	320 817	350 018	(267 750)	2 523 732	1 899 673
Chris Lynch	716 480	27 272	613 680	572 034	1 929 466	1 705 112	248 619	390 901	(229 636)	2 339 350	1 729 507
Robert Kirkby	696 801	1 272	630 430	587 650	1 916 153	1 453 600	255 029	348 595	(247 454)	2 272 323	1 548 862
John Fast	638 944	–	591 726	551 569	1 782 239	1 323 160	229 381	384 082	(234 446)	2 161 256	1 459 472
David Munro (6)	500 157	83 067	–	–	583 224	1 647 037	–	–	–	583 224	1 570 310

Notes:
(1) Other benefits
Includes medical insurance, life assurance related benefits, professional fees, payout of unused leave entitlements, relocation allowance and expenses where applicable.
(2) Deferred Shares
This represents the estimated fair value of Deferred Shares earned in the year. Employees can elect to receive Options instead of Deferred Shares or a combination of both.
(3) Retirement benefits
The estimated benefit in respect of pensions includes contributions payable in respect of defined contribution arrangements and actual/notional contributions that would have been required to secure the defined benefit promises earned in the year.
(4) Share-based compensation – long-term
The amount in respect of long-term Share-based compensation represents the estimated value of awards granted under the long-term incentive schemes. The estimated value has been calculated using a Black-Scholes option pricing methodology (taking no account of Performance Hurdles) adjusted to reflect the expected vesting percentage. Details of outstanding awards and awards vesting in the year are set on in the tables below. The estimated value of the award made in any year is allocated in equal amounts to each of the years during the performance period but is adjusted each year to reflect the then expected vesting percentage on a cumulative basis.
(5) In accordance with UK GAAP, 100 per cent of the estimated fair value of Deferred Shares earned during the 2004 year is included in the remuneration in the column headed 'Value of Deferred Shares'. Under Australian GAAP, such remuneration for the current and earlier years is to be included over the vesting period. The column headed 'Adjustment' represents the difference between the measurement methods. Hence the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with Deferred Shares under Australian GAAP.
(6) Resigned January 2004. As all awards under Share incentive plans lapsed on resignation, no amount of remuneration for such plans has been attributed to David Munro for the period.

5.3 Group Incentive Scheme

All of the Specified Executives participated in the GIS for the year ended 30 June 2004 and all have been invited to participate for the year commencing 1 July 2004. For both years, the target cash bonus amount for each Specified Executive is 70 per cent of salary. For the year commencing 1 July 2004, KPIs are split between Group and personal KPIs. Personal measures include both Customer Sector Group measures as well as measures which are business or function-specific. Personal measures range from 55 per cent to 75 per cent of the total KPIs for each Specified Executive.

If the proposed changes to the GIS outlined in section 3.2.1 above are approved by shareholders at the 2004 annual general meetings no Performance Shares will be issued to Specified Executives in relation to the 2004 year. Shares under the new five-year plan will be issued in their place.

	Year ended 30 June 2004		Year commencing 1 July 2004
	Percentage of total remuneration *at risk* at the *target* level of performance	**Group measures**	**Group measures**
Philip Aiken	46%	20% weighting of total performance measures	25% weighting of total performance measures
Marius Kloppers	50%	30% weighting of total performance measures	45% weighting of total performance measures
Chris Lynch	54%	45% weighting of total performance measures	45% weighting of total performance measures
Robert Kirkby	55%	20% weighting of total performance measures	30% weighting of total performance measures
John Fast	55%	45% weighting of total performance measures	45% weighting of total performance measures

5.4 Share and Option plans

The table below summarises details of the Specified Executives' interests in incentive plans including the number of Shares and Options awarded in the financial year ended 30 June 2004, all of which were granted as remuneration. Detailed information on their interests in the plans is set out in note 31 to the financial statements. No Options held by Specified Executives are vested but not exercisable, except where stated. All of the Shares and Options issued form part of the executives' *at risk* remuneration. The extent to which Shares (save for Deferred Shares and Options) vest, will be wholly dependent on the extent to which the Performance Hurdles are met.

	Balance at 1 July 2003	Granted	Exercised	Vested	Lapsed	Balance at 30 June 2004
Philip Aiken						
• Shares	489 999	139 630	122 621	–	–	507 008
• Options	516 275	–	516 275	–	–	–
Marius Kloppers						
• Shares	310 873	110 756	–	–	11 911	409 718
• Options	–	–	–	–	–	–
Chris Lynch						
• Shares	350 947	122 020	61 987	–	–	410 980
• Options	–	–	–	–	–	–
Robert Kirkby						
• Shares	307 800	116 062	89 659	–	2 823	331 380
• Options	340 740	–	340 740	–	–	–
• Partly Paid Shares	362 588	–	–	–	–	362 588
John Fast						
• Shares	360 539	109 564	96 854	–	4 516	368 733
• Options	413 020	–	413 020	–	–	–
David Munro						
• Shares	326 908	98 614	–	–	425 522	–
• Options	–	–	–	–	–	–
(resigned January 2004)						

5.5 Retirement benefits

For service following 1 January 2003, retirement, death and disability benefits were aligned for the Specified Executives.

Retirement benefits were aligned on a defined contribution basis. For each executive a defined contribution rate was calculated to target a pension accrual of 2.2 per cent of base salary for each year of service from 1 January 2003 to age 60. Allowance for a two-thirds spouse's pension in retirement plus inflation indexation in payment was also incorporated into the calculations. To deliver the retirement promise, the executive is given a choice of funding vehicles including the executive's current retirement arrangement, an unfunded Retirement Savings Plan, an International Retirement Plan or a cash gratuity in lieu. The aggregate cost to the Company of exercising these funding choices will not exceed the calculated contribution rate for each executive.

On death-in-service a lump sum of four times base salary will be payable. In addition a spouse's pension of two-thirds of 2.2 per cent of basic salary at death for each year of service from 1 January 2003 to age 60 will be payable. Dependants' benefits are payable in addition and periods of service where the executive elected a cash gratuity are excluded. If the executive leaves on the grounds of incapacity, a disability pension payable for the duration of the executive's life of 2.2 per cent for each year of service from 1 January 2003 to age 60 will be payable. Periods of service where the executive elects a cash gratuity are excluded from the disability pension. No spouses' benefit will be payable following death in disablement.

Benefits accrued by the executive in retirement arrangements before 1 January 2003 will be payable in addition to those described above.

6. Non-executive Directors

6.1 Remuneration policy

In May 2001 shareholders approved an aggregate sum of A$3 million to be used to remunerate non-executive Directors. Fees payable to non-executive Directors were last set in 2002 and a review was considered appropriate in 2004. Following that review the Board agreed to revise the existing remuneration arrangements with effect from 1 July 2004. Fees payable to non-executive Directors will, in future, be reviewed on an annual basis.

The remuneration rates reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the Dual Listed Companies structure, the multiple stock exchange listings, the extent of the geographic regions in which the Group

6.1 Remuneration policy continued
operates and the enhanced responsibilities associated with membership of Board Committees. They also reflect the considerable travel burden imposed on members of the Board. In revising the fees the Board reviewed remuneration rates of non-executive directors and chairmen of other companies, including those companies in the comparator group used in the GIS and detailed in section 3.2.1 of this Report. The Board is conscious that just as the Group must set remuneration levels to attract and retain talented executives, so it must also ensure that remuneration rates for non-executive Directors are set at a level that will attract the calibre of director necessary to effectively contribute to a high-performing Board.

The revised elements of remuneration are:

- a base fee of US$85 000 per annum (increased from US$60 000)
- a base fee of US$105 000 per annum for the Senior Independent Director of BHP Billiton Plc (previously US$80 000)
- a base fee of US$450 000 per annum for the Chairman (previously US$240 000)
- a Committee membership fee of US$15 000 for HSE and Remuneration Committee members and US$20 000 for members of the Risk Management and Audit Committee. No additional fee is paid for membership of the Nomination Committee
- a fee of US$25 000 for the Chairman of each of the HSE and Remuneration Committees and US$40 000 for the Chairman of the Risk Management and Audit Committee (previously US$7500), and
- a travel allowance of US$2000 for air travel that is more than three hours but less than 12 hours (previously US$1000) and US$5000 where air travel is more than 12 hours (previously US$2500).

The previous meeting attendance fee of US$1000 for each meeting attended has been abandoned.

Fees continue to be denominated in US dollars and paid in US dollars, Australian dollars or UK Sterling, as nominated by the Director.

Non-executive Directors are not eligible to participate in any of the Group's incentive arrangements.

A standard letter of engagement has been developed for non-executive Directors and is available on the website at *www.bhpbilliton.com/bbContentRepository/AboutUs/Governance/lt_AppointmentasnonexecutiveDirector.pdf.* Dates of appointment appear on page 33 of the Corporate Governance Statement.

Each non-executive Director is appointed subject to periodic re-election by the shareholders (see page 37 of the Corporate Governance Statement for an explanation of the re-appointment process). There are no provisions in any of the non-executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

6.2 Remuneration paid
Remuneration paid to non-executive Directors for the year ended 30 June 2004 is set out in the table below.

	Fees	Committee Chair fees	Attendance fees	Travel allowances	Other benefits	Subtotal 2004 UK GAAP	Subtotal 2003 UK GAAP	Retirement benefits (1)	Total 2004 Australian GAAP	Total 2003 Australian GAAP
Don Argus	240 000	–	–	4 500	–	244 500	247 500	12 660	257 160	260 125
David Brink	60 000	7 500	18 000	9 000	5 619	100 119	98 281	–	100 119	98 281
John Buchanan	80 000	7 500	10 000	11 000	–	108 500	44 832	–	108 500	44 832
Michael Chaney (2)	60 000	–	9 000	10 000	1 826	80 826	81 500	3 165	83 991	84 655
David Crawford	60 000	7 500	24 000	9 500	–	101 000	96 000	3 561	104 561	99 550
Cornelius Herkströter (3)	18 871	–	6 000	2 500	2 553	29 924	86 281	–	29 924	86 281
David Jenkins	60 000	–	32 000	18 000	–	110 000	100 500	–	110 000	100 500
Lord Renwick	60 000	–	8 000	5 000	–	73 000	76 500	–	73 000	76 500
John Schubert	60 000	–	12 000	8 500	–	80 500	78 375	3 165	83 665	81 625

Notes:
(1) BHP Billiton Limited contributions of 9 per cent of fees paid in accordance with Australian superannuation legislation.
(2) Michael Chaney has requested that fees payable to him are paid instead to his employer, Wesfarmers Limited.
(3) Retired on 24 October 2003.

6.3 Retirement benefits

The following table sets out the accrued retirement benefits under the now closed Retirement Plan of BHP Billiton Limited, together with any entitlements obtained by the compulsory Group contributions to the BHP Billiton Superannuation Fund. The Plan was closed on 24 October 2003 and entitlements that had accumulated in respect of each of the participants were frozen. These will be paid on retirement. An earnings rate equal to the five-year Australian Government Bond Rate is being applied to the frozen entitlements from that date.

US Dollars

Name	Completed years of service at 30 June 2004	Increase in lump sum entitlement[1]	Lump sum entitlement at 30 June 2004	Lump sum entitlement at 30 June 2003
Don Argus	8	82 387	**1 079 770**	997 383
Michael Chaney	9	21 122	**285 135**	264 013
David Crawford	10	23 098	**301 779**	278 681
David Jenkins	4	56 588	**188 595**	132 007
John Schubert	4	11 734	**143 741**	132 007

[1] On closure of the Retirement Plan, no further entitlements have accrued. The increase reflects the accrual to the date of closure, together with application of the earnings rate and foreign exchange impact.

7. Aggregate Directors' Remuneration

The aggregate remuneration of executive and non-executive Directors of BHP Billiton in accordance with UK generally accepted accounting principles is set out in the table below.

US Dollars (million)

	2004	2003
Emoluments	8	7
Termination payments	–	12
Awards vesting under long-term incentive plans	1	–
Gains on exercise of options	1	–[1]
Total	**10**	**19**

[1] Mr Goodyear exercised options during the year ended 30 June 2003 with a gain of US$0.2 million.

This Report was approved by the Board on 1 September 2004 and signed on its behalf by:

John Buchanan
Chairman, Remuneration Committee

1 September 2004

BHP BILLITON CHARTER

WE ARE BHP BILLITON, A LEADING GLOBAL RESOURCES COMPANY.

Our purpose is to create long-term value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

To prosper and achieve real growth, we must:

- actively manage and build our portfolio of high-quality assets and services,
- continue the drive towards a high-performance organisation in which every individual accepts responsibility and is rewarded for results,
- earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in our communications and consistently delivering on commitments.

We value:

- **Safety and the Environment** – An overriding commitment to health, safety, environmental responsibility and sustainable development.
- **Integrity** – Doing what we say we will do.
- **High Performance** – The excitement and fulfilment of achieving superior business results and stretching our capabilities.
- **Win-Win Relationships** – Having relationships which focus on the creation of value for all parties.
- **The Courage to Lead Change** – Accepting the responsibility to inspire and deliver positive change in the face of adversity.
- **Respect for Each Other** – The embracing of diversity, enriched by openness, sharing, trust, teamwork and involvement.

We are successful in creating value when:

- our shareholders are realising a superior return on their investment
- our customers and suppliers are benefiting from our business relationships
- the communities in which we operate value our citizenship
- every employee starts each day with a sense of purpose and ends each day with a sense of accomplishment.

Chip Goodyear
Chief Executive Officer

August 2004

bhpbilliton

The information presented in this Report relates to BHP Billiton Plc and BHP Billiton Limited and their subsidiaries.

Principal activities and business review

The principal activities of the BHP Billiton Group during the 2004 financial year were minerals exploration, production and processing (particularly alumina, aluminium, copper, iron ore, metallurgical coal, ferroalloys, energy coal, nickel, diamonds and titanium minerals), and oil and gas exploration, development and production.

There were no significant changes in the nature of the Group's principal activities during the year.

A review of the development of the business of the Group during the year and an indication of likely future developments appear in the Chairman's Review, the Chief Executive's Report, the Customer Sector Group Reviews, the Financial Review and other material in this Annual Report.

On 18 August 2004, the Board announced its plan to pursue capital management initiatives with a target amount of up to US$2 billion. BHP Billiton is currently reviewing various means of returning capital, including the use of share buy-backs, so as to optimise value, with the exact amount and timing of any return being dependent on market conditions.

On 26 August 2004, BHP Billiton announced its intention to enter into a commercial agreement with JFE Steel Corporation, which will underpin sales of approximately 16 Mtpa of iron ore over the following 11 years valued at US$3.7 billion.

On 1 September 2004, BHP Billiton announced its intention to increase metallurgical coal production capacity to around 100 Mtpa by 2010. The increase in capacity will be achieved through high value incremental expansions of the BHP Billiton Mitsubishi Alliance and BHP Mitsui Coal Pty Ltd coal operations in Australia, and potential new developments such as the Maruwai prospect in Indonesia.

No other important event affecting the Group has arisen since the end of the 2004 financial year.

Results

The consolidated profit and loss account set out on pages 74 and 75 shows an attributable profit of US$3379 million compared to US$1901 million in 2003.

Details of dividends paid in relation to the 2004 financial year are set out on page 6 of this Annual Report.

Share buy-back program and contingent purchase contract

BHP Billiton Limited has in place a share buy-back program, under which up to 186 million shares in BHP Billiton Limited can be purchased on-market and cancelled between 1 July 2001 and 30 September 2005, taking into account shares in BHP Billiton Plc purchased pursuant to a contingent purchase contract (see below). The level of share purchases undertaken will remain subject to prevailing market conditions and alternative capital investment opportunities available to the Group. At the date of this Report, a total of 4 134 622 shares in BHP Billiton Limited have been purchased under the buy-back program for capital maintenance purposes. The aggregate amount of consideration paid for these shares was US$19 million. No purchases were made during the 2004 financial year.

The contingent purchase contract between BHP Billiton Plc and MSI Investments (BVI) Limited, an indirect wholly-owned subsidiary of BHP Billiton Plc, allowed BHP Billiton to put in place a structure intended to have an effect similar to market repurchase by BHP Billiton Plc of its own shares. Under the structure, appointed brokers were able to purchase up to 231 million ordinary shares in BHP Billiton Plc in the market on behalf of a special purpose vehicle, Nelson Investment Limited (Nelson). No purchases were made by Nelson during the 2004 financial year.

The contingent purchase contract gave BHP Billiton Plc the right, but not the obligation, to repurchase and cancel, at any time prior to the expiry of the contingent purchase contract, up to 231 million of its shares purchased and held by Nelson. Alternatively, Nelson could place the shares in the market for the benefit of the Group. During financial year 2004, no shares were placed in the market by Nelson or were repurchased and cancelled by BHP Billiton Plc pursuant to the contingent purchase contract.

At the 2003 annual general meetings, shareholders were advised that the structure put in place pursuant to the contingent purchase contract would be discontinued from 1 December 2003 and that BHP Billiton Plc would conduct all future market purchases of its own shares pursuant to the UK Companies Act 1985 and the UK Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003. This legislation enables companies in the UK to purchase their own shares and hold them as treasury stock.

As a part of the discontinuation of the contingent purchase contract structure, the 3 890 000 ordinary shares of US$0.50 each in BHP Billiton Plc held by Nelson were transferred on 23 June 2004 to Billiton ESOP Trustee Limited ('ESOP'). This represented 0.16 per cent of BHP Billiton Plc's issued share capital at the date of transfer. The aggregate consideration paid by ESOP for the shares was US$20 million.

No shares were purchased by BHP Billiton Plc during the 2004 financial year and held as treasury stock.

Directorate

Details of the Directors of BHP Billiton Plc and BHP Billiton Limited at the date of this Report including the period for which they held office during the 2004 financial year are set out on pages 28 to 29 of this Annual Report.

Mr Cornelius Herkströter, a Director as at 30 June 2003, retired on 24 October 2003.

The number of meetings of the Board and its Committees held during the 2004 financial year, as well as each Director's attendance at those meetings, is set out on page 36 of this Annual Report.

The former Directors of BHP Limited participated in a retirement plan under which they were entitled to receive a payment on retirement calculated by reference to years of service. The plan was closed on 24 October 2003 and benefits accrued to that date are held by BHP Billiton Limited and will be paid on retirement. Further information about this plan and its closure is set out on page 60.

Directors' share interests

The table below sets out the relevant interests in shares in BHP Billiton Plc and BHP Billiton Limited of the Directors who held office at 30 June 2004, at the beginning and end of the financial year, and at the date of this Report. No rights or options over shares are held by any of the non-executive Directors. The rights or options held by executive Directors over shares in BHP Billiton Plc and BHP Billiton Limited are set out in the tables on pages 52 and 54 of this Annual Report.

BHP Billiton shares (1)	As at date of Report	As at 30 June 2004	As at 30 June 2003
Don Argus (2)	*203 495*	***203 495***	*193 495*
Charles Goodyear (2)	*638 807*(3) 2 000(4)	***638 807***(3) **2 000**(4)	*247 813*(3)
David Brink (2)	39 377	**39 377**	39 377
John Buchanan	4 000	**1 000**	1 000
Michael Chaney (2)	*12 338*	***12 338***	*12 338*
David Crawford (2)	*29 127*	***29 127***	*29 127*
David Jenkins	*2 066* 10 000	***2 066*** **10 000**	*10 326*
Lord Renwick of Clifton	*2 066* 12 385	***2 066*** **12 385**	*2 066* 6 385
Miklos Salamon (2)	977 282	**977 282**	977 282
John Schubert	*23 675*	***23 675***	*23 675*

(1) Shares in BHP Billiton Limited shown in italics. All interests are beneficial.
(2) Includes shares held in name of spouse and/or nominee.
(3) 82 604 are held in the form of 41 302 American Depositary Shares.
(4) Held in the form of 1000 American Depository Shares.

Specified Executives

The table below sets out the relevant interests in shares in BHP Billiton Limited and BHP Billiton Plc of the Specified Executives at the beginning and end of the financial year, and at the date of this Report. Interests held by the Specified Executives under Share and Option plans are set out in note 31 to the financial statements.

Specified Executives' share interests

BHP Billiton shares (1)	As at date of Report	As at 30 June 2004	As at 30 June 2003
Philip Aiken (2)	*356 422*	***356 422***	*133 801*
John Fast (2)	*3 459*(3)	***175 459***(3)	*2 945*
Robert Kirkby (2)(4)	*634 589*	***634 589***	–
Marius Kloppers	–	–	–
Chris Lynch (2)	*80 679*	***80 679***	*18 692*
David Munro (5)	–	–	11 175

(1) Shares in BHP Billiton Limited shown in italics. All interests are beneficial.
(2) Includes shares held in the name of spouse and/or nominee.
(3) Includes 929 shares held by nominee in the form of endowment warrants.
(4) Joined the Office of the Chief Executive, the principal managerial decision-making body in the Group, as of 16 March 2004, at which date he held 634 589 shares.
(5) Resigned from the Group as of 18 January 2004, at which date he held 11 175 shares in BHP Billiton Plc.

Value of land

Much of the Group's interest in land consists of leases and other rights, which permit the working of such land and the erection of buildings and equipment thereon for the purpose of extracting and treating minerals. Such land is mainly carried in the accounts at cost, and it is not possible to estimate the market value as this depends on product prices over the long term, which will vary with market conditions.

Political and charitable donations

No political contributions were made during the year. The Group made charitable donations in the United Kingdom of US$555 242 (cash) (2003: US$542 935) and worldwide including in-kind support and administrative costs totalling US$46 525 528 (2003: US$42 387 897).

Exploration, research and development

Companies within the Group carry out exploration, research and development necessary to support their activities.

Employee policies and involvement

The Group's policy is to encourage and maintain effective communication and consultation between employees and management. To facilitate the Group's global communications policy, BHP Billiton has a dedicated internal communications division, which manages the release of information to employees across the world. In addition to the regular production and communication of operational and global newsletters, bulletins and staff news releases, employees are also regularly invited to briefings by senior management on important issues such as company strategy and results, and health, safety and environmental matters.

BHP Billiton also provides information about issues of importance to employees via its intranet and email facilities. These are important tools for inviting employee feedback and increasing awareness of corporate and financial performance.

In addition, all BHP Billiton employees can access the Group's Annual Reports and other key publications via the intranet.

All assets have in place a range of newsletters and other communications activities to ensure that information is shared with employees and feedback is obtained. In addition, some assets have dedicated intranet sites accessible by the employees working at that asset. These intranet sites contain information specific to the asset. Staff briefings are conducted regularly. Other consultative mechanisms are also in place to address issues impacting employees and in addition grievance or disputes procedures apply at all assets.

BHP Billiton seeks to encourage the involvement of employees in the Group's performance by including nominated employees in employee share schemes, and through the use of performance goals and associated incentive or bonus schemes. The employee share schemes are described on page 49 of the Annual Report.

BHP Billiton is committed to equality in employment, as set out in its Equality in Employment Policy in the Guide to Business Conduct. The Group gives full and fair consideration to applications for employment made by all people. Decisions are based on aptitudes and abilities and not on attributes unrelated to job performance (including disability). Should employees become disabled during employment, they will be considered for any necessary retraining and available work within their capabilities. For the purpose of training, career development and promotion, disabled employees are treated in the same way as other employees although reasonable modifications would be made to the workplace and employment arrangements as appropriate to meet particular needs arising from a disability.

Creditor payment policy

When BHP Billiton enters into a contract with a supplier, payment terms will be agreed when the contract begins and the supplier will be made aware of these terms. BHP Billiton does not have a specific policy towards its suppliers and does not follow any code or standard practice. However, BHP Billiton settles terms of payment with suppliers when agreeing overall terms of business and seeks to abide by the terms of the contracts to which it is bound. As at 30 June 2004, BHP Billiton Plc (the unconsolidated parent entity) had nine days' purchases outstanding in respect of costs, based on the total invoiced by suppliers during the financial year.

Auditors

At the 2003 Annual General Meetings, shareholders were advised that the Risk Management and Audit Committee would conduct a review of BHP Billiton's joint audit arrangements. This review led to the selection of KPMG Audit Plc to continue as the sole auditor.

A resolution to re-appoint KPMG Audit Plc as the auditor of BHP Billiton Plc will be proposed at the 2004 Annual General Meetings in accordance with section 385 of the UK Companies Act 1985.

Annual General Meeting

The 2004 Annual General Meeting of BHP Billiton Plc will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London on Thursday, 25 November 2004 commencing at 10.30 am. The notice convening the meeting has been sent to shareholders separately with this Annual Report, together with an explanation of the items of special business to be considered at the meeting.

By order of the Board

D R Argus
Chairman

C W Goodyear
Chief Executive Officer

1 September 2004

Basis of presentation of financial information

BHP Billiton's financial information is presented in accordance with UK accounting standards and other UK financial reporting requirements (UK GAAP). The reporting currency is US dollars, the dominant currency in which the BHP Billiton Group operates.

The Directors, having made appropriate enquiries, consider that the BHP Billiton Group has adequate resources to continue in operational business for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial statements.

The financial information has been prepared on the same basis and using the same accounting policies as were applied in drawing up the financial information contained in the accounts of BHP Billiton Plc for the year ended 30 June 2003 except for the change in accounting policy for employee share awards described in the Accounting Policies section of the financial statements. The consolidated financial statements of BHP Billiton Plc include BHP Billiton Limited and its subsidiary companies and are prepared using the merger method of accounting in accordance with UK GAAP.

Key Financial Information for the BHP Billiton Group

Year ended 30 June	2004 US$M	2003[a] US$M	Change %
Turnover [b]	**24 943**	17 506	42.5
EBITDA [b][c]			
Excluding exceptional items	**7 506**	5 363	40.0
Including exceptional items	**6 943**	5 344	29.9
EBIT [b][c]			
Excluding exceptional items	**5 488**	3 481	57.7
Including exceptional items	**5 020**	3 462	45.0
Attributable profit [b]			
Excluding exceptional items	**3 510**	1 920	82.8
Including exceptional items	**3 379**	1 901	77.7
Available cash flow [d]	**5 235**	3 596	45.6
Basic earnings per share (US cents) [b]			
Excluding exceptional items	**56.4**	30.9	82.5
Including exceptional items	**54.3**	30.6	77.5
Net operating assets [b]	**21 510**	20 656	4.1
EBITDA interest cover (times) [b][c][e]			
Excluding exceptional items	**21.1**	13.3	58.6
Gearing (net debt/[net debt + net assets])	**24.9%**	31.7%	(21.5)

(a) All the items relate to Continuing Operations other than the loss on the sale of Discontinued Operations.
(b) Including share of joint ventures and associates.
(c) EBIT is earnings before interest and tax. EBITDA is EBIT before depreciation, impairments and amortisation of US$2 018 million (comprising Group depreciation, impairments and amortisation of US$1 867 million and joint venture and associate depreciation, impairments and amortisation of US$151 million) for the year ended 30 June 2004 and US$1 882 million (comprising Group depreciation, impairments and amortisation of US$1 721 million and joint venture and associate depreciation, impairments and amortisation of US$161 million) for the year ended 30 June 2003. Exceptional items for the year ended 30 June 2004 include reversals of impairment losses of US$95 million (2003: US$nil). We believe that EBIT and EBITDA provide useful information, but should not be considered as an indication of, or alternative to, attributable profit as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.
(d) Available cash flow is operating cash flow including dividends from joint ventures and associates and after net interest and tax.
(e) For this purpose, net interest includes capitalised interest and excludes the effect of discounting on provisions and other liabilities, and exchange differences arising from net debt.

Results for the financial year ended 30 June 2004

Overview

The Group set new records this year, both in terms of its operations and its financial results. This record result is reflective of strong market conditions and the successful execution of our business strategy. Since the creation of BHP Billiton, we have consistently focused on maximising the operating performance of our world class assets and reducing costs and improving the efficiencies of our businesses. We have utilised the growing cash flows generated from these businesses to invest in value accretive organic growth projects which have enabled us to benefit from the market conditions we are now experiencing.

Attributable profit (excluding exceptional items) increased by 82.8 per cent to US$3510 million. Attributable profit (including exceptional items) of US$3379 million, was a 77.7 per cent increase from last year's results and production records were set at many operations across our business.

Earnings Before Interest and Tax (EBIT)
The following table details the approximate impact of major factors affecting EBIT (excluding exceptional items) for the year ended 30 June 2004 compared with the corresponding period.

	US$M
EBIT excluding exceptional items for the year ended 30 June 2003	**3 481**
Change in volumes	180
Change in sales prices	3 145
Price-linked costs	(325)
Inflation on costs	(300)
Costs	70
New operations	55
Ceased and sold operations	75
Asset sales	60
Exchange rates	(775)
Exploration	(85)
Other items	(93)
EBIT excluding exceptional items for the year ended 30 June 2004	**5 488**

An explanation of the factors affecting EBIT is as follows:

- Higher commodity prices increased EBIT by approximately US$3145 million with copper, nickel, petroleum products, aluminium, export energy coal, ferrochrome and iron ore prices having significant contributions.
- Higher sales volumes of copper, iron ore, aluminium, natural gas, LPG, manganese ore, metallurgical coal and diamonds were partially offset by lower oil and titanium feedstock product volumes. This resulted in a net positive impact on EBIT of approximately US$180 million.
- Ceased and sold operations had a favourable impact on EBIT of approximately US$75 million. This mainly reflects the impact of divested assets including the Group's petroleum assets in Bolivia, the Alumbrera copper/gold mine in Argentina, and our 33.6 per cent interest in the Highland Valley Copper mine.
- Asset sales favourably impacted EBIT by approximately US$60 million mainly due to the sale of non-core assets in the current period, including a non-core royalty interest in December 2003 and sales of non-core mineral rights.
- New operations increased EBIT by approximately US$55 million mainly due to the commencement of commercial production from the Ohanet wet gas development in Algeria from October 2003.
- The unfavourable exchange rate impact on EBIT of US$775 million was primarily due to stronger A$/US$ and rand/US$ average exchange rates on operating costs which had an unfavourable impact on EBIT of approximately US$915 million. The conversion of rand and Australian dollar denominated net monetary liabilities at balance sheet date had a favourable impact of approximately US$65 million on EBIT, which was mainly due to the closing A$/US$ exchange rate appreciating 3.4 per cent during the current period compared to an appreciation of 17.7 per cent in the corresponding period. Gains on legacy A$/US$ currency hedging of US$39 million in the current period had a favourable impact of US$125 million compared to losses of US$86 million in the corresponding period.
- Higher price-linked costs decreased EBIT by approximately US$325 million, mainly due to increased taxes on petroleum products and higher LME-linked costs. Inflationary and other input cost pressures, principally in South Africa and Australia, increased costs by approximately US$300 million. These factors were partially offset by favourable operating cost performance of approximately US$70 million.
- Exploration expense was approximately US$85 million higher than the prior period. Gross exploration expenditure was US$454 million, comprising petroleum exploration of US$340 million and minerals exploration of US$114 million, compared with US$348 million in the corresponding period.

Operating profit margin
The BHP Billiton Group differentiates sales of Group production from sales of third party products due to the significant difference in profit margin earned on these sales. The table below shows the breakdown between Group production (which includes marketing of equity production) and third party products.

	2004 (a) **US$M**	2003 (a) US$M
Group production (b)		
Turnover	**18 283**	14 124
Related operating costs	**12 964**	10 763
Operating profit	**5 319**	3 361
Margin (c)	**29.1%**	23.8%
Third party products (b)		
Turnover	**6 660**	3 382
Related operating costs	**6 627**	3 331
Operating profit	**33**	51
Margin (c)	**0.5%**	1.5%

(a) From Continuing Operations and excluding exceptional items.
(b) Including share of joint ventures and associates.
(c) Operating profit divided by turnover.

Exceptional items
Exceptional items reduced attributable profit by US$131 million (after tax) during the year, as follows.

The Group refined its plans in relation to certain closed operations. This resulted in a charge of US$534 million (US$512 million after tax) comprising:

- At Southwest Copper (US), a charge of US$425 million resulting from a comprehensive review of closure plans that was undertaken following the refocusing of the Group's direction during the period towards an accelerated closure strategy. This followed exhaustion of previous alternative strategies, and resulted in a shortened timeframe to closure for some of the facilities. Actions during the year resulting from the review included the announcement of the closure of the San Manuel plant facilities in October 2003, and the divestment and farm-out of certain assets and liabilities during the period, such as the Robinson copper/gold mining operation and the Resolution copper exploration prospect. The review also indicated (a) higher short-term closure costs, due to changes in the nature of closure work required in relation to certain facilities, particularly tailings dams and waste and leach dumps; (b) a need for costs, such as water management and environmental monitoring, to continue for a longer period; and, (c) an increase in the residual value of certain assets.

- At other closed sites, a charge of US$109 million (before a tax benefit of US$22 million), in relation to the Island Copper mine (Canada), the Newcastle steelworks (Australia), the Selbaie copper mine (Canada), and several other smaller sites. These increases resulted from a number of causes, including (a) a reassessment during the period of an original pit lake water treatment process which requires additional treatment for a longer period; (b) a comprehensive environmental assessment completed during the period as a consequence of a change in approach relating to the remediation of river sediment; and, (c) development of detailed closure plans, including site characterisation, in relation to sites which closed during the last two years where closure activities have now commenced.

The Group announced it was part of a consortium that had reached a settlement with Dalmine SpA with respect to a claim brought against Dalmine in April 1998. The claim followed the failure of an underwater pipeline installed in 1994 in the Liverpool Bay area of the UK continental shelf. As a result of the settlement, BHP Billiton has recorded an exceptional gain of US$66 million (US$48 million after tax).

BHP Billiton elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government. Under the transitional rules, the Group has chosen to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of the assets. This resulted in the restatement of deferred tax balances and an exceptional tax benefit of US$95 million being recorded in accordance with UK GAAP.

The level of certainty regarding potential benefits arising from prior period taxation deductions and foreign tax credits available in the US and Canada has increased to the extent that some of the provisions against deferred tax assets established in prior years are no longer necessary. This is a result of higher income generation, changes in legislation and effective utilisation of tax credits during the year, along with increasing confidence regarding the ability to realise benefits in the future. Accordingly, the Group has recorded an exceptional tax benefit of US$238 million.

The exceptional item for the year ended 30 June 2003 arose from the demerger of BHP Steel which became unconditional on 1 July 2002. A 6 per cent interest in BHP Steel was retained by the Group upon demerger which was sold in July 2002 for US$75 million. The loss of US$19 million associated with this sale was recognised in the year ended 30 June 2003 as an exceptional item in relation to Discontinued Operations.

Merger benefits, cost savings and efficiency gains

As of 30 June 2004, including other efficiency gains of US$70 million, the Group had achieved total merger benefits, additional cost savings and efficiency gains of US$780 million. Cost savings of US$115 million during the year were driven by the continuation of our Operating Excellence program, strategic sourcing and marketing initiatives. The additional efficiency gains of US$70 million came from items that to date have not been counted towards the original cost savings target.

These programs and initiatives have been embedded in the way the BHP Billiton Group does business. As a result, we expect to see continued improvements in future periods, although there is growing pressure on input costs based on the current strong demand environment.

Customer Sector Group financial results

The table below provides a summary of the Customer Sector Group financial results for the year ended 30 June 2004, compared with the corresponding period.

An explanation of the major factors influencing the performance of the Customer Sector Groups is included on pages 10 to 23. An explanation of the performance of Group and unallocated items is provided below.

Customer Sector Group – financial results summary for the year ended 30 June 2004

	EBIT (excluding exceptionals)		EBIT (including exceptionals)	
	2004 US$M	2003 US$M	**2004 US$M**	2003 US$M
Petroleum	**1 391**	1 178	**1 457**	1 178
Aluminium	**776**	581	**776**	581
Base Metals	**1 156**	286	**674**	286
Carbon Steel Materials	**1 137**	1 045	**1 137**	1 045
Diamonds and Specialty Products	**410**	299	**410**	299
Energy Coal	**234**	198	**234**	198
Stainless Steel Materials	**571**	150	**561**	150
Group and unallocated items	**(187)**	(256)	**(229)**	(256)
Discontinued Operations	**–**	–	**–**	(19)
BHP Billiton Group	**5 488**	3 481	**5 020**	3 462

Group and unallocated items
Net corporate operating costs, excluding gains and losses from legacy A$/US$ currency hedging and other exchange impacts, were US$258 million, a decrease of US$9 million compared to US$267 million in the corresponding period. The underlying decrease in costs was partially offset by the impact of asset sales and other one-off items in the corresponding period.

Gains on legacy A$/US$ currency hedging were approximately US$39 million during the current period, compared with losses of approximately US$86 million in the corresponding period.

Interest
Net interest on borrowings and cash, including capitalised interest and excluding discounting on provisions and other liabilities and exchange differences on net debt, fell from US$403 million to US$355 million. This was principally driven by lower average debt levels and active management of the Group's debt portfolio which has resulted in lower average interest rates. Exchange losses on net debt, mainly relating to the translation of rand denominated debt, were US$133 million compared with losses of US$140 million in the corresponding period.

Taxation
The tax charge on earnings, excluding exceptional items, was US$1379 million, representing an effective rate of 27.7 per cent. The underlying effective rate was 26.4 per cent before the impacts of non tax-effected foreign currency adjustments, translation of tax balances and other functional currency translation adjustments, mainly attributable to the strengthening of both the rand and Australian dollar against the US dollar during the period. When compared to the UK statutory tax rate (30 per cent), the underlying effective tax rate benefited 2.0 per cent due to the recognition of tax losses (US$100 million) in the US. In addition, investment incentives, development entitlements and other unbenefited tax losses and tax credits were recognised during the year which further reduced the effective tax rate by 2.4 per cent. These benefits were offset by non-deductible accounting depreciation and amortisation, non-tax effected losses and other items which increased the effective tax rate, before foreign exchange impacts, by 0.8 per cent.

Financial position and cash flows

Balance sheet
Total assets less current liabilities for the Group were US$25 925 million at 30 June 2004, an increase of US$1769 million from the 30 June 2003 position.

Equity shareholders' funds for the BHP Billiton Group were US$14 038 million at 30 June 2004, an increase of US$1947 million from the previous year. Net debt for the BHP Billiton Group decreased by 17.4 per cent to US$4769 million at 30 June 2004.

As a consequence of the above, the gearing ratio decreased to 24.9 per cent, compared with 31.7 per cent at 30 June 2003.

Portfolio management
A number of portfolio management activities were finalised during the current year. Sales of non-core assets, including the sale of our interest in the Highland Valley Copper mine (Canada) and the Robinson copper/gold mine (US) by Base Metals, the sale of our interest in Mamore (Bolivia) by Petroleum, sale of a non-core royalty interest by Diamonds and Specialty Products, and sales of non-core mineral rights by Stainless Steel Materials, generated total proceeds of US$277 million.

Capital management
BHP Billiton has consistently stated that the priorities for its cash flow are:
- to finance growth opportunities with attractive rates of return;
- to maintain a capital structure in line with an A credit rating; and
- to return cash to shareholders, either through its progressive dividend policy or by other means.

The Board of BHP Billiton remains committed to demonstrating strong capital discipline whilst ensuring that BHP Billiton is able to finance its strong and growing organic growth pipeline.

Following a review of its current and anticipated cash flows, the Board has approved a number of actions associated with capital management activities. On 18 August 2004 the Board declared a final dividend of 9.5 US cents per share, an increase of 26.7 per cent over last year's final dividend. This brings the total dividends for the 2004 financial year to 26 US cents per share. Additionally, the Board approved plans to pursue additional capital management initiatives with a target amount of up to US$2 billion. BHP Billiton is currently reviewing various means of returning capital, including the use of share buy-backs, so as to optimise value, with the exact amount and timing of any return being dependent upon market conditions.

In November 2003, Standard & Poor's upgraded the Group's long-term credit rating from A to A+, and in May 2004, Moody's Investors Service changed the Group's outlook from A2 (stable) to A2 (positive). The benefit of a diversified portfolio, strong financial performance, disciplined financial policies, the integration of the Group's operations following the merger and the lengthening track record in successfully executing our substantial growth projects underpinned our continued positive ratings performance.

Cash flows
Available cash flow (after interest and tax) was a record US$5235 million.

Total capital and investment expenditure amounted to US$2624 million, including US$952 million on petroleum projects and US$1672 million on minerals and other minor projects. Of the total capital and investment expenditure, sustaining capital expenditure was US$926 million. In addition, exploration expenditure was US$454 million, comprising petroleum exploration of US$340 million and minerals exploration of US$114 million. Disposals of fixed assets, sale of subsidiaries and investments, and repayments of loans by joint ventures generated US$425 million.

Net cash flow before dividend payments was US$2582 million. After dividends paid in the period of US$1501 million (up from US$830 million in the corresponding period), net cash inflow (before management of liquid resources and financing) amounted to US$1081 million.

Currency

The Group has adopted the US dollar as its reporting currency and, subject to some specific exceptions, its functional currency. Currency fluctuations affect the profit and loss account in two principal ways.

Sales are predominantly based on US dollar pricing (the principal exceptions being Petroleum's gas sales to Australian and UK domestic customers and Energy Coal's sales to South African domestic customers). However, a proportion of operating costs (particularly labour) arises in the local currency of the operations, most significantly the Australian dollar and South African rand, but also the Brazilian real, the Chilean peso and Colombian peso. Accordingly, changes in the exchange rates between these currencies and the US dollar can have a significant impact on the Group's reported results.

Several subsidiaries hold certain monetary assets and liabilities denominated in currencies other than their functional currency (US dollars), in particular non-US dollar denominated tax liabilities, provisions and, to a lesser extent, debt. Net debt is primarily in US dollars, with 4 per cent of net debt in South African rand. Monetary assets and liabilities are converted into US dollars at the closing rate. The resultant differences are accounted for in the profit and loss account in accordance with UK GAAP.

The impact of restatement of non-US dollar debt, tax liabilities and other monetary items is included in net interest expense, income tax expense and EBIT, respectively. The impact on attributable profit from the restatement of non-US dollar monetary liabilities for the year ended 30 June 2004 is a loss of US$278 million compared to a US$380 million loss in the prior year.

Dividends

A first interim dividend of 8.0 US cents per share was paid on 3 December 2003 and a second interim dividend of 8.5 US cents per share was paid on 5 May 2004. A final dividend for the year ended 30 June 2004 of 9.5 US cents per share will be paid to shareholders on 22 September 2004. The BHP Billiton Limited dividends are all fully franked for Australian taxation purposes.

The total dividends declared for the year is 26.0 US cents compared to 14.5 US cents in the prior year. Three dividends were declared for the year ended 30 June 2004 as a result of the Group's decision to realign dividend declaration dates to coincide with the announcements of our interim and full year results. In future years, BHP Billiton intends to declare an interim dividend at the time of its interim results announcement, and a final dividend at the time of its full year results announcement.

Dividends for the BHP Billiton Group are determined and declared in US dollars. However, BHP Billiton Limited dividends are mainly paid in Australian dollars and BHP Billiton Plc dividends are mainly paid in pounds sterling to shareholders on the UK section of the register and rand to shareholders on the South African section of the register.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Group must comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Group DLC structure results in two parent entities with their own statutory reporting obligations, one in Australia and the other in the UK. While Australia and the UK are currently moving to an IFRS based financial reporting regime in the same timeframe, the Group's DLC structure creates unique IFRS implementation issues. In addition the regulatory bodies that promulgate UK GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between UK GAAP and IFRS and their impact on the Group's financial statements in future years. Accordingly, significant uncertainty remains as to the likely impact of IFRS on the Group's financial statements. The Group has not quantified the effects of the differences between UK GAAP and IFRS.

The Group has established a formal project, monitored by a steering committee, to manage the transition to IFRS reporting. Regular updates are also provided to the Board Risk Management and Audit Committee.

Critical accounting policies

The preparation of the Group's financial statements requires BHP Billiton management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, and reported turnover and costs during the period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

The following critical accounting polices have been identified under UK GAAP where management is required to make estimates and assumptions and where actual results may differ from these estimates and may materially affect the financial results or financial position reported in future periods.

Mineral and petroleum reserves

The reserves we report in this annual report are our estimates of the amount of product that we can economically and legally extract from our properties. In order to calculate our reserves, we must make estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices (in relation to mineral reserves – oil and gas reserves are based on prices existing at the time of the estimates) and exchange rates.

Estimating the quantity and/or grade of reserves requires us to determine the size, shape, and depth of orebodies or fields by analysing geological data such as drilling samples. This process may require us to make complex and difficult geological judgements and calculations in order to interpret the data.

Because the economic assumptions we use to estimate reserves change from period to period, and because we generate additional geological data as we undertake operations, our estimates of economically recoverable reserves may change from period to period. Changes in reported reserves may affect us in a number of ways, including the following:

- Our asset carrying values may be affected due to changes in estimated future cash flows;
- Our depreciation, depletion and amortisation charged against the profit and loss account may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change;
- Our deferred overburden removal costs recorded in the balance sheet or charged against the profit and loss account may change due to changes in stripping ratios or where such charges are determined by the units of production basis;
- Our decommissioning, site restoration and environmental provisions may change where changes in our estimated reserves affect our expectations in respect of the timing or cost of these activities; or,
- Our provisions against deferred tax assets may change due to changes in the estimated certainty of realising the tax benefits.

Exploration, evaluation and development expenditure
Certain exploration, evaluation and development expenditure is capitalised where we have an expectation that we will be able to recover the expenditure by future exploitation or sale, or where the activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires our management to make certain estimates and assumptions as to future events and circumstances which may change. At 30 June 2004, US$504 million is carried forward in net tangible fixed assets as capitalised exploration and evaluation expenditure.

Tangible assets valuation
The carrying value of each income-generating unit is reviewed at least annually to evaluate whether the carrying amount is recoverable. Assets may be reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. The Group determines if an asset is impaired by comparing the carrying value with the higher of net realisable value and value in use. The Group generally determines value in use by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flows are estimated based on expected production and sales volumes, commodity prices, recoverable reserves, operating costs, reclamation costs and capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

Defined benefit pension costs and other post-retirement benefits
BHP Billiton accounts for its post-retirement schemes (including pensions and medical benefits plans) in accordance with UK GAAP. Assets, liabilities and costs are recorded in the balance sheet and profit and loss account in respect of these schemes based on Statement of Standard Accounting Practice (SSAP) 24 'Accounting for Pension Costs'. This basis of measurement takes into account the performance of scheme assets, where applicable, and changes in the funded status of each scheme, to the extent that deficits represent a legal or constructive obligation to our employees and that surpluses are recoverable by the Group, over the expected remaining service lives of employees. The Group consequently recognises a liability or asset in the balance sheet to the extent that the contributions payable either lag or precede expense recognition.

The process necessarily requires management to make certain estimates and assumptions as to future returns on various classes of assets, where applicable, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates and expected remaining service lives of employees. In addition, an alternative policy acceptable under UK GAAP would be the application of FRS 17 'Retirement Benefits'. Under FRS 17, all surpluses would be recognised to the extent they are considered recoverable and all deficits would be recognised in full.

Decommissioning, site restoration and environmental costs
The Group's activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, the Group has a policy of ensuring that reclamation is planned and financed from the early stages of any operation. Provision is made for the reclamation of mining and processing facilities along with the decommissioning of oil platforms and infrastructure associated with petroleum activities. The estimation of the cost of future reclamation and decommissioning activities is subject to uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination, and the timing and extent of reclamation and decommissioning activities required. These uncertainties might result in future actual expenditure differing from the amounts provided.

At 30 June 2004, the provision for restoration and rehabilitation was US$2783 million. Of this amount, US$1081 million was provided for closed sites. Adjustments to the provisions in relation to these closed sites arising from the significant uncertainties noted above are recognised in the profit and loss account during the period in which the adjustments are made.

Deferred taxation

BHP Billiton recognises deferred tax assets in the balance sheet only where it is more likely than not that they will be recovered. A proportion of deferred tax assets recorded in the balance sheet relate to current or prior period losses where management considers that it is more likely than not that the Group will recover these losses in future periods through the generation of sufficient future taxable profits. Assumptions in relation to the generation of sufficient future taxable profits depend on estimates of future cash flows, which are estimated based on production and sales plans, commodity prices, recoverable reserves, operating costs, reclamation costs and planned capital costs and these estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

Under UK GAAP deferred tax balances are not recognised for unrealised foreign exchange gains and losses on US dollar net debt, including intra-group balances, in subsidiaries which maintain local currency records for tax purposes. As at 30 June 2004, the BHP Billiton Group has not recognised US$255 million of potential tax expense which will be recognised under UK GAAP when such gains and losses are realised for tax purposes.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the statement of auditor's responsibilities included in the report of the auditors set out on the following page, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to the financial statements.

The Directors are required by the United Kingdom Companies Act 1985 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of BHP Billiton Plc and the BHP Billiton Group at the end of the period and of the profit and loss for the period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the BHP Billiton Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of BHP Billiton Plc, and which enable the Directors to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the BHP Billiton Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BHP BILLITON PLC

We have audited the financial statements on pages 73 to 173. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 71, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 41 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2004 and of the profit and cash flows of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered Auditor
London, 1 September 2004

FINANCIAL STATEMENTS

Contents

Notes to Financial Statements

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 Excluding exceptional items US$M	2004 Exceptional items (note 2) US$M	2004 Total US$M
Turnover (including share of joint ventures and associates)				
Group production		**18 283**	**–**	**18 283**
Third party products	4	**6 660**	**–**	**6 660**
	4,5	**24 943**	**–**	**24 943**
less Share of joint ventures' and associates' turnover included above	4,5	**(2 056)**	**–**	**(2 056)**
Group turnover	5	**22 887**	**–**	**22 887**
Net operating costs	7	**(17 960)**	**66**	**(17 894)**
Group operating profit/(loss)		**4 927**	**66**	**4 993**
Share of operating profit of joint ventures and associates	4,5	**425**	**–**	**425**
Operating profit/(loss) (including share of operating profit of joint ventures and associates)		**5 352**	**66**	**5 418**
Comprising:				
Group production		**5 319**	**66**	**5 385**
Third party products	4	**33**	**–**	**33**
		5 352	**66**	**5 418**
Income from other fixed asset investments		**35**	**–**	**35**
Profit on sale of fixed assets		**95**	**–**	**95**
Profit on sale of operations		**6**	**–**	**6**
Loss on termination of operations [(b)]	2	**–**	**(534)**	**(534)**
Loss on sale of Discontinued Operations	2	**–**	**–**	**–**
Profit/(loss) before net interest and similar items payable and taxation	4,5	**5 488**	**(468)**	**5 020**
Net interest and similar items payable				
Group	8	**(407)**	**–**	**(407)**
Joint ventures and associates	4,8	**(95)**	**–**	**(95)**
Profit/(loss) before taxation	4,5	**4 986**	**(468)**	**4 518**
Taxation	10	**(1 379)**	**337**	**(1 042)**
Profit/(loss) after taxation		**3 607**	**(131)**	**3 476**
Equity minority interests		**(97)**	**–**	**(97)**
Profit/(loss) for the financial year (attributable profit)		**3 510**	**(131)**	**3 379**
Dividends to shareholders	11	**(1 617)**	**–**	**(1 617)**
Retained profit/(loss) for the financial year	24	**1 893**	**(131)**	**1 762**
Earnings per ordinary share (basic) (US cents)	12	**56.4**	**(2.1)**	**54.3**
Earnings per ordinary share (diluted) (US cents)	12	**56.2**	**(2.1)**	**54.1**
Dividend per ordinary share (US cents)	11			**26.0**

2003 Excluding exceptional items US$M	2003 Exceptional items [a] (notes 2,3) US$M	2003 Total US$M	2002 Continuing Operations US$M	2002 Exceptional items (note 2) US$M	2002 Continuing Operations including exceptional items US$M	2002 Discontinued Operations [a] (note 3) US$M	2002 Total US$M
14 124	–	14 124	13 038	–	13 038	2 550	15 588
3 382	–	3 382	2 190	–	2 190	–	2 190
17 506	–	17 506	15 228	–	15 228	2 550	17 778
(1 898)	–	(1 898)	(1 666)	–	(1 666)	(206)	(1 872)
15 608	–	15 608	13 562	–	13 562	2 344	15 906
(12 554)	–	(12 554)	(10 907)	(111)	(11 018)	(2 285)	(13 303)
3 054	–	3 054	2 655	(111)	2 544	59	2 603
358	–	358	329	–	329	11	340
3 412	–	3 412	2 984	(111)	2 873	70	2 943
3 361	–	3 361	2 956	(111)	2 845	70	2 915
51	–	51	28	–	28	–	28
3 412	–	3 412	2 984	(111)	2 873	70	2 943
16	–	16	37	–	37	1	38
46	–	46	13	–	13	15	28
7	–	7	68	–	68	–	68
–	–	–	–	(101)	(101)	–	(101)
–	(19)	(19)	–	–	–	–	–
3 481	(19)	3 462	3 102	(212)	2 890	86	2 976
(444)	–	(444)	(208)	–	(208)	(4)	(212)
(93)	–	(93)	(28)	–	(28)	(9)	(37)
2 944	(19)	2 925	2 866	(212)	2 654	73	2 727
(984)	–	(984)	(961)	(32)	(993)	3	(990)
1 960	(19)	1 941	1 905	(244)	1 661	76	1 737
(40)	–	(40)	(39)	–	(39)	(8)	(47)
1 920	(19)	1 901	1 866	(244)	1 622	68	1 690
(900)	–	(900)	(784)	–	(784)	–	(784)
1 020	(19)	1 001	1 082	(244)	838	68	906
30.9	(0.3)	30.6	31.0	(4.1)	26.9	1.1	28.0
30.9	(0.3)	30.6	31.0	(4.1)	26.9	1.1	28.0
		14.5					13.0

(a) Due to the demerger of the BHP Steel business in July 2002, BHP Steel's results have been reported as Discontinued Operations. The exceptional item in the year ended 30 June 2003 relates to Discontinued Operations. There are no exceptional items in net operating costs of Discontinued Operations for the year ended 30 June 2002. Net interest shown against Discontinued Operations includes that amount of net external interest that is directly attributable to the Discontinued Operations. Taxation is the nominal charge on the profit before taxation.

(b) In the year ended 30 June 2004, the exceptional loss on termination of operations includes US$425 million relating to the refinement of the closure provisions for the Southwest Copper operations. In the year ended 30 June 2002, the exceptional loss on termination of operations also relates to Southwest Copper. Refer note 2.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2004

	Group			Joint ventures and associates			Total		
	2004 US$M	2003 US$M	2002 US$M	**2004 US$M**	2003 US$M	2002 US$M	**2004 US$M**	2003 US$M	2002 US$M
Attributable profit for the financial year [(a)]	**3 156**	1 737	1 465	**223**	164	225	**3 379**	1 901	1 690
Exchange gains on foreign currency net investments [(b)]	**48**	67	25	**–**	–	–	**48**	67	25
Total recognised gains for the financial year	**3 204**	1 804	1 490	**223**	164	225	**3 427**	1 968	1 715
Prior year adjustment arising from the change in accounting policy [(c)]	**84**			**–**			**84**		
Total recognised gains since last annual report	**3 288**			**223**			**3 511**		

Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 June 2002 includes gains and losses pertaining to BHP Steel.

(a) Included in joint ventures' and associates' attributable profit is a profit of US$nil (2003: US$25 million; 2002: US$26 million) relating to associated companies.
(b) Exchange gains on foreign currency net investments include net exchange gains on foreign currency borrowings, which hedge overseas investments, of US$nil (2003: US$7 million; 2002: US$10 million) and associated tax expense of US$nil (2003: US$2 million; 2002: US$1 million).
(c) Refer Accounting Policies.

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2004

	Notes	2004 US$M	2003 (Restated) US$M
Fixed assets			
Intangible assets			
Goodwill	13	**34**	36
Negative goodwill	13	**(26)**	(29)
		8	7
Tangible assets	14	**20 971**	19 809
Investments			
Joint ventures – share of gross assets		**2 951**	2 880
Joint ventures – share of gross liabilities		**(1 582)**	(1 477)
	15	**1 369**	1 403
Loans to joint ventures and other investments	15	**361**	441
Total fixed assets		**22 709**	21 660
Current assets			
Stocks	16	**1 760**	1 379
Debtors			
Amounts due within one year	17	**2 924**	2 224
Amounts due after more than one year	17	**1 482**	1 405
	17	**4 406**	3 629
Investments	18	**167**	143
Cash including money market deposits	28	**1 818**	1 552
Total current assets		**8 151**	6 703
Creditors – amounts falling due within one year	19	**(4 935)**	(4 207)
Net current assets		**3 216**	2 496
Total assets less current liabilities		**25 925**	24 156
Creditors – amounts falling due after more than one year	20	**(5 987)**	(6 849)
Provisions for liabilities and charges	21	**(5 558)**	(4 898)
Net assets		**14 380**	12 409
Equity minority interests		**(342)**	(318)
Attributable net assets		**14 038**	12 091
Capital and reserves			
Called up share capital – BHP Billiton Plc	22	**1 234**	1 234
Share premium account	24	**518**	518
Contributed equity – BHP Billiton Limited	22	**1 851**	1 785
Profit and loss account	24	**10 461**	8 580
Interest in shares of BHP Billiton	25	**(26)**	(26)
Equity shareholders' funds	25	**14 038**	12 091

The financial statements were approved by the Board of Directors on 1 September 2004 and signed on its behalf by:

Don Argus
Chairman

Charles Goodyear
Chief Executive Officer

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 US$M	2003 (Restated) US$M	2002 (Restated) US$M
Net cash inflow from Group operating activities [(a)]		**6 701**	4 799	4 619
Dividends received from joint ventures and associates		**203**	197	149
Interest paid		**(347)**	(383)	(496)
Dividends paid on redeemable preference shares		**(23)**	(28)	(35)
Interest received		**78**	36	156
Other dividends received		**35**	15	38
Dividends paid to equity minority interests		**(75)**	(38)	(20)
Net cash outflow from returns on investments and servicing of finance		**(332)**	(398)	(357)
Taxation paid		**(1 337)**	(1 002)	(606)
Refund of taxation paid		**–**	–	91
Taxation		**(1 337)**	(1 002)	(515)
Available cash flow		**5 235**	3 596	3 896
Purchases of tangible fixed assets		**(2 589)**	(2 571)	(2 481)
Exploration expenditure		**(454)**	(348)	(390)
Disposals of tangible fixed assets		**157**	99	200
Purchase of investments and funding of joint ventures		**(35)**	(95)	(182)
Sale of investments and repayments by joint ventures [(b)]		**89**	560	232
Net cash outflow from capital expenditure and financial investment		**(2 832)**	(2 355)	(2 621)
Investment in subsidiaries		**–**	–	(45)
Demerger or sale of subsidiaries [(b)]		**53**	358	190
Cash transferred on demerger or disposal [(b)]		**(5)**	(86)	(45)
Investment in joint ventures		**–**	–	(208)
Disposal of joint ventures and associates		**131**	133	70
Net cash inflow/(outflow) from acquisitions and disposals		**179**	405	(38)
Net cash flow before equity dividends paid, management of liquid resources and financing		**2 582**	1 646	1 237
Equity dividends paid		**(1 501)**	(830)	(811)
Net cash flow before management of liquid resources and financing		**1 081**	816	426
Net cash (outflow)/inflow from management of liquid resources	28	**(178)**	(665)	157
Redeemable preference shares		**–**	–	(423)
Finance lease obligations		**(9)**	–	(28)
Debt due within one year – repayment of loans		**(854)**	(2 683)	(1 344)
Debt due within one year – drawdowns		**121**	1 435	1 657
Debt due after more than one year – repayment of loans		**(482)**	(1 438)	(2 722)
Debt due after more than one year – drawdowns		**254**	2 263	2 318
Net cash outflow from debt and finance leases		**(970)**	(423)	(542)
Share repurchase scheme – BHP Billiton Plc		**–**	(20)	–
Purchase of shares by ESOP trusts		**(25)**	(6)	(14)
Share buy-back program – BHP Billiton Limited		**–**	–	(19)
Issue of shares		**76**	172	140
Net cash outflow from financing		**(919)**	(277)	(435)
(Decrease)/increase in cash in the financial year		**(16)**	(126)	148

Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Consolidated Statement of Cash Flows for the year ended 30 June 2002 includes cash flows of BHP Steel.

	Notes	2004 US$M	2003 US$M	2002 US$M
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash in the financial year		**(16)**	(126)	148
Net cash flow from debt and finance leases		**970**	423	542
Net cash flow from management of liquid resources		**178**	665	(157)
Decrease in net debt arising from cash flows		**1 132**	962	533
Other non-cash movements		**(31)**	232	–
Increase in net debt from exchange adjustments	28	**(98)**	(144)	(34)
Decrease in net debt		**1 003**	1 050	499
Net debt at beginning of the financial year	28	**(5 772)**	(6 822)	(7 321)
Net debt at end of the financial year	28	**(4 769)**	(5 772)	(6 822)

(a) Net cash inflow from Group operating activities

	2004 US$M	2003 (Restated) US$M	2002 (Restated) US$M
Group operating profit	**4 993**	3 054	2 603
Depreciation and amortisation	**1 751**	1 648	1 727
Impairment of assets	**116**	73	119
Employee share awards	**96**	70	28
Net exploration charge (excluding impairment of assets)	**284**	248	243
Increase in stocks	**(356)**	(250)	(11)
Increase in debtors	**(734)**	(286)	(382)
Increase in creditors	**500**	69	292
Increase/(decrease) in provisions	**48**	128	(35)
Other items	**3**	45	35
Net cash inflow from Group operating activities	**6 701**	4 799	4 619

(b) The impact on the BHP Billiton Group's cash flows of the demerger of the BHP Steel business in July 2002 was a cash inflow of US$347 million. This represents US$294 million from the settlement by BHP Steel of intercompany loans, less US$22 million demerger transaction costs paid, which are both included in net cash inflow/(outflow) from acquisitions and disposals, and US$75 million from the sale of the 6 per cent interest in BHP Steel which is included in the sale of investments and repayments by joint ventures.

The accompanying notes form part of these financial statements.

DUAL LISTED COMPANIES STRUCTURE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Merger terms

On 29 June 2001, BHP Billiton Plc (previously known as Billiton Plc), a UK listed company, and BHP Billiton Limited (previously known as BHP Limited), an Australian listed company, entered into a Dual Listed Companies (DLC) merger. This was effected by contractual arrangements between the Companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) and BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) operate together as a single economic entity (the BHP Billiton Group), with neither assuming a dominant role. Under the arrangements:

- the shareholders of BHP Billiton Plc and BHP Billiton Limited have a common economic interest in both Groups;
- the shareholders of BHP Billiton Plc and BHP Billiton Limited take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two Companies effectively vote on a joint basis;
- BHP Billiton Plc and BHP Billiton Limited have a common Board of Directors, a unified management structure and joint objectives;
- dividends and capital distributions made by the two Companies are equalised; and
- BHP Billiton Plc and BHP Billiton Limited each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

If either BHP Billiton Plc or BHP Billiton Limited proposes to pay a dividend to its shareholders, then the other Company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either Company is prohibited by law or is otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then BHP Billiton Plc or BHP Billiton Limited will, so far as it is practicable to do so, enter into such transactions with each other as the Boards agree to be necessary or desirable so as to enable both Companies to pay dividends as nearly as practicable at the same time.

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Plc or BHP Billiton Limited, any change of ownership of any existing shares or securities of BHP Billiton Plc or BHP Billiton Limited, the issue of any shares or securities or any payment by way of consideration, save for the issue by each Company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated. In addition, to achieve a position where the economic and voting interests of one share in BHP Billiton Plc and one share in BHP Billiton Limited were identical, BHP Billiton Limited made a bonus issue of ordinary shares to the holders of its ordinary shares.

Treatment of the DLC merger for accounting purposes

Under UK Generally Accepted Accounting Principles (GAAP), the DLC merger is treated as a business combination because a single economic entity has been formed, even though BHP Billiton Plc and BHP Billiton Limited remain separate legal entities. The consolidated financial statements of BHP Billiton Plc therefore include those of BHP Billiton Limited and its subsidiary companies in accordance with the requirements of s227(5) of the Companies Act 1985.

The DLC merger is accounted for using the merger method of accounting in accordance with UK accounting standards as this is its substance. The nature of the DLC merger has resulted in the inclusion of amounts attributable to the shareholders of both BHP Billiton Plc and BHP Billiton Limited in capital and reserves on the balance sheet, and in attributable profit.

Basis of accounting
The financial statements have been prepared under the historical cost convention (except as discussed under tangible fixed assets below) and in accordance with applicable UK accounting standards, the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001 and the United Kingdom Companies Act 1985. The financial statements of the BHP Billiton Group include the combination of BHP Billiton Plc, BHP Billiton Limited and their respective subsidiaries. Subsidiaries are entities controlled by either parent entity. Control generally exists where the parent owns a majority of voting rights in the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Where the BHP Billiton Group's interest is less than 100 per cent, the share attributable to outside shareholders is reflected in minority interests. In preparing the financial statements of the BHP Billiton Group, the effects of transactions between entities within the BHP Billiton Group have been eliminated.

A reconciliation of the major differences between the financial statements prepared under UK Generally Accepted Accounting Principles (GAAP) and those applicable under US GAAP is included in note 34.

Change in accounting policy
The accounting policies have been consistently applied by all entities in the BHP Billiton Group and are consistent with those applied in the prior two years, except for the following:

Employee share awards
The BHP Billiton Group has adopted the provisions of Urgent Issues Task Force (UITF) Abstract 38 'Accounting for Employee Share Ownership Plan (ESOP) Trusts' from 1 July 2003, which has resulted in the adoption of a revised accounting policy for employee share awards.

Under the revised accounting policy, the estimated cost of share awards made by the BHP Billiton Group is charged to profit over the period from the grant date to the date of expected vesting (where there are no performance hurdles) or the performance period, as appropriate. The accrued employee entitlement is recorded as an equal credit to shareholders' funds. The estimated cost of awards is based on the market value of shares at the grant date (in the case of Group Incentive Scheme Performance Shares, Performance Rights, the Bonus Equity Plan, the Restricted Share Scheme and Co-Investment Plan) or the intrinsic value of options awarded (being the difference between the exercise price and the market price at the date of granting the award), adjusted to reflect the impact of performance conditions, where applicable. Where awards are satisfied by on-market purchases, the cost of acquiring the shares is carried in shareholders' funds as 'Interest in shares of BHP Billiton', and any difference between the cost of awards and the consideration paid to purchase shares on-market is transferred to retained earnings when the shares vest to the employees unconditionally. In addition, the assets and liabilities of ESOP trusts utilised by the BHP Billiton Group to hold shares for employee remuneration schemes are consolidated.

In prior years, the estimated cost of share awards was initially charged to profit and recorded as a provision using the market value of shares at the grant date. Where share awards were satisfied by on-market purchases, the cost was subsequently adjusted to the actual consideration for shares purchased. Further, shares in BHP Billiton held by the ESOP trusts were shown as a fixed asset investment.

The effects of the accounting policy change on the financial statements for the year ended 30 June 2004 are as follows:

- opening shareholders' funds increased by US$84 million representing the reclassification from provisions to retained earnings for the accrued employee entitlement on unvested share awards and decreased by US$6 million representing the reclassification of shares held by ESOP trusts from fixed asset investments into 'Interest in Shares of BHP Billiton'; and
- attributable profit increased by US$12 million representing costs no longer recognised for the excess consideration paid to purchase shares on-market (US$8 million) and the foreign currency translation of the accrued cost of unvested awards now recorded in shareholders' funds (US$4 million).

The impact on prior period profit and loss accounts is immaterial and accordingly these have not been restated.

The accounting policy change in respect of the consideration paid to purchase shares on-market and to include shares held by ESOP trusts in shareholders' funds better represents the nature of the transactions involved, that is, a share buy-back by the Group and a separate issue of shares to employees to satisfy the exercise of share awards. This also aligns the amount of expense recorded in the profit and loss account for share awards, irrespective of whether the Group satisfies awards through a new share issue or on-market purchase.

Currency of presentation
All amounts are expressed in US dollars unless otherwise stated.

Acquisitions, disposals and goodwill
On the acquisition of a business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets and liabilities acquired. On the acquisition of a minority interest in a subsidiary undertaking, attributable fair values are recognised in relation to the relevant proportion of the identifiable separable assets and liabilities of the subsidiary undertaking.

Mineral and petroleum reserves and resources, which can be reliably valued, are recognised in the assessment of fair values on acquisition. Other potential reserves and resources and mineral rights, for which values cannot be reliably determined, are not recognised. Accordingly, goodwill arising on acquisition may include amounts in respect of these items.

Where the fair value of the consideration paid exceeds the fair value of the separable assets and liabilities acquired, the difference is treated as purchased goodwill and any excess of the fair value of the separable assets and liabilities acquired over the fair value of the consideration given is treated as negative goodwill. Goodwill arising on acquisitions since 1 July 1998 is capitalised and amortised over its estimated useful economic life. Currently, useful economic lives range between 17 and 20 years. Negative goodwill arising on acquisitions since 1 July 1998 is capitalised and released to the profit and loss account in proportion to the realisation of the non-monetary assets acquired. Goodwill and negative goodwill arising on acquisitions prior to 1 July 1998 remain set off against the profit and loss account reserve.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging or crediting the amount of any related goodwill previously taken directly to reserves or the unamortised balance of any goodwill capitalised.

Joint ventures
A joint venture is an entity in which the BHP Billiton Group holds a long-term interest and which is jointly controlled by the BHP Billiton Group and one or more other venturers. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity. Joint management of these ventures is not necessary to create joint control provided that in practice each relevant venturer's consent is required for strategic decisions.

Investments in joint ventures are accounted for using the gross equity method of accounting. Under the gross equity method, the cost of the investment in the venture is adjusted by the BHP Billiton Group's proportionate share of the results of the venture less the amortisation of any attributable goodwill on acquisition.

Joint arrangements
The BHP Billiton Group has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the entity itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create an entity, such as a joint venture, due to the fact that these policies are those of the participants, not a separate entity carrying on a trade or business of its own.

The financial statements of the BHP Billiton Group include its share of the assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the BHP Billiton Group's interest in the joint arrangement.

Foreign currencies
The BHP Billiton Group's reporting and dominant functional currency is US dollars as this is the principal currency in which BHP Billiton Group companies operate.

Transactions denominated in foreign currencies (currencies other than the functional currency of the entity) are recorded using the exchange rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on retranslation are included in the profit and loss account, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration which are capitalised in tangible fixed assets.

Profit and loss accounts of subsidiaries, joint ventures and joint arrangements which have functional currencies other than US dollars are translated to US dollars at average rates for the relevant reporting period, other than exceptional items which are translated at the rate at the date of the transaction. Assets and liabilities are translated at exchange rates prevailing at the relevant balance sheet date. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries, joint ventures and joint arrangements, together with differences between their profit and loss accounts translated at average and closing rates, are shown as a movement in reserves and in the statement of total recognised gains and losses. Exchange differences arising on long-term foreign currency borrowings used to finance such investments, together with any related taxation effects, are also shown as a movement in reserves and in the consolidated statement of total recognised gains and losses.

Turnover
Turnover from the sale of goods is recognised when persuasive evidence, usually in the form of an executed sales agreement, of an arrangement exists indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the BHP Billiton Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectibility is reasonably assured. This is generally when title passes.

In the majority of sales for most commodities, sales agreements specify that title passes on the bill of lading date which is the date the commodity is delivered to the shipping agent. Revenue is recognised on the bill of lading date. For certain sales (principally coal sales to adjoining power stations and diamond sales), title passes and revenue is recognised when the goods have been delivered.

In cases where the terms of the executed sales agreement allows for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of a portion of the sales price as revenue is deferred at the time of shipment until a final adjustment is determined. Historically these adjustments have been insignificant.

Turnover is not reduced for royalties and other taxes payable from production.

The BHP Billiton Group differentiates sales of Group production from sales of third party products due to the significant difference in profit margin earned on these sales.

Exploration, evaluation and development expenditure
Development expenditure, including deferred overburden removal costs, for both minerals and petroleum activities is capitalised.

In respect of minerals, exploration and evaluation expenditure is charged to the profit and loss account as incurred except where:

- it is expected that the expenditure will be recouped by future exploitation or sale; or
- substantial exploration and evaluation activities have identified a mineral resource but these activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves,

in which case the expenditure is capitalised.

In respect of petroleum, exploration and evaluation expenditure is accounted for in accordance with the successful efforts method on an area-of-interest basis where:

- significant exploration licence acquisition costs are capitalised and amortised over the term of the licence, except for costs in new unexplored areas which are expensed as incurred;
- administrative costs that are not directed to a specific area-of-interest are expensed in the year in which they are incurred;
- all other exploration and evaluation expenditure is charged against the profit and loss account except where the expenditure relates to an area-of-interest and it is expected that the expenditure will be recouped by future exploitation or sale, or, at balance sheet date exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure is capitalised as a tangible fixed asset;

- exploratory wells that find oil or gas in an area requiring major capital expenditure before production can begin are continually evaluated to assure that commercial quantities of reserves have been found or that additional exploration work is underway or planned. To the extent it is considered that the relevant expenditure will not be recovered, it is written off; and
- when proved reserves of oil or gas are determined and development is sanctioned and completed, the relevant expenditure, together with related development expenditure, is amortised on a units of production basis.

Deferred overburden removal costs
Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste, required to be removed to mine the ore. Deferral of costs to the balance sheet is made, where appropriate, when actual stripping ratios vary from average stripping ratios. Deferral of costs to the balance sheet is not made where ore is expected to be evenly distributed.

Costs, which have previously been deferred to the balance sheet (deferred overburden removal costs), are included in the profit and loss account on a unit of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of an income generating unit for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the income generating unit as a whole.

Research and development expenditure
Expenditure for research is included in the profit and loss account as incurred on the basis that continuing research is part of the overall cost of being in business. To the extent that future benefits deriving from development expenditure are expected beyond any reasonable doubt to exceed such expenditure, these costs are capitalised and amortised over the period of expected benefit.

Net interest cost
Net interest cost is generally expensed as incurred except where it relates to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalised up to the date when the asset is ready for its intended use. The amount of interest capitalised (gross of tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

Tangible fixed assets
Valuation
Fixed assets are generally included in the financial statements at historical cost. Prior to the adoption of FRS 15 'Tangible Fixed Assets', certain fixed assets had been included in the financial statements at revalued amounts. With effect from 1 July 1998, such valuations were frozen and effectively treated as the cost of the fixed asset and no further revaluations made.

Fixed assets are assessed to ensure carrying amounts do not exceed estimated recoverable amounts. The assessment of capitalised exploration and evaluation expenditure is described above. For other fixed assets, the carrying amount of each income generating unit is reviewed at least annually to evaluate whether the carrying amount is recoverable.

Assets may be reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded, and the asset written down, based on the amount by which the asset carrying amount exceeds the higher of net realisable value and value in use. Value in use is generally determined by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flows are estimated based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves, operating costs, reclamation costs and capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

Mineral rights
Mineral rights acquired by the BHP Billiton Group are accounted for at cost with provisions made where impairments in value have occurred. Exploitable mineral rights are capitalised and depreciated over the production life of the asset.

Mineral leases
The BHP Billiton Group's mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

Depreciation, depletion and amortisation
The carrying amount of tangible fixed assets (including the original capital expenditure and any subsequent replacement expenditure) is depreciated to its residual value over the useful economic lives of the specific assets concerned or the life of the mine or lease, if shorter. The major categories of fixed assets are depreciated on a units of production and/or straight-line basis as follows:

• Buildings	– 25 to 50 years
• Land	– not depreciated
• Plant, machinery and equipment	– 4 to 30 years
• Mineral rights	– based on the estimated life of reserves on a units of production basis
• Exploration, evaluation and development expenditure of minerals assets and other mining assets	– over the life of the proven and probable reserves on a units of production basis
• Petroleum interests	– over the life of the proved developed oil and gas reserves on a units of production basis
• Leasehold land and buildings	– over the life of the lease up to a maximum of 50 years
• Vehicles	– 3 to 5 years straight-line
• Capitalised leased assets	– up to 50 years or life of lease, whichever is shorter
• Computer systems	– up to 8 years straight-line

Changes in estimates are accounted for over the estimated remaining economic life or the remaining commercial reserves as applicable.

Other
The cost of tangible fixed assets includes financing and other appropriate direct and indirect costs incurred on major capital projects from the commencement of construction until the start of commercial production.

Leases
Assets held under leases which result in the BHP Billiton Group receiving substantially all the risks and rewards of ownership of the asset (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments.

The corresponding finance lease obligation is included within creditors due within or after more than one year. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Operating lease assets are not capitalised and rental payments are generally charged to the profit and loss account on a straight-line basis over the lease term. Provision is made for future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no probable future benefit. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

Other investments
Fixed asset investments, other than joint ventures and associates, are stated individually at cost less provisions for impairments.

Current asset investments are valued at the lower of cost and net realisable value and dividends are credited to profit on a receivable basis. Interest is included in the profit and loss account on an accrual basis. In determining net realisable values, market values are used in the case of listed investments and Directors' estimates are used in the case of unlisted investments.

Stocks
Stocks, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. In some cases, the first-in-first-out method or actual cost is used. For processed inventories, cost is derived on an absorption costing basis. Cost comprises cost of purchasing raw materials and cost of production, including attributable mining and manufacturing overheads.

Deferred taxation
Tax-effect accounting is applied in respect of corporation tax and resource rent tax. Deferred tax liabilities, the provision for resource rent tax and deferred tax assets represent the tax effect of timing differences which arise from the recognition in the accounts of items of revenue and expense in periods different to those in which they are taxable or deductible for corporation tax or resource rent tax purposes. Full provision is made, except as follows:

- tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute past earnings exists;
- deferred tax is not recognised on the difference between carrying amounts and fair values of non-monetary assets arising on acquisitions or purchased fixed assets which have subsequently been revalued unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised; and
- deferred tax assets are recognised only where it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the timing differences are expected to reverse.

Provision for employee benefits
Provision is made in the accounts for all employee benefits, including on-costs. In relation to industry-based long service leave funds, the BHP Billiton Group's share of debtors and creditors, including obligations for funding shortfalls, have been recognised.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with annual leave above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Pension costs and other post-retirement benefits
The BHP Billiton Group operates or participates in a number of pension (including superannuation) schemes throughout the world. The funding of the schemes complies with local regulations. The assets of the schemes are generally held separately from those of the BHP Billiton Group and are administered by trustees or management boards. For schemes of the defined contribution type or those operated on an industry-wide basis, where it is not possible to identify assets attributable to the participation by the BHP Billiton Group's employees, the pension charge is calculated on the basis of contributions payable.

For defined benefit schemes, the cost of providing pensions is charged to the profit and loss account so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice. This is consistent with Statement of Standard Accounting Practice (SSAP) 24 'Accounting for Pension Costs'. This basis of measurement takes into account the performance of scheme assets and changes in the funded status of each scheme, to the extent that deficits represent a legal or constructive obligation of the Group to its employees and that surpluses are recoverable by the Group, over the expected remaining service lives of employees. A pension liability or asset is consequently recognised in the balance sheet to the extent that the contributions payable either lag or precede expense recognition. The liability or asset therefore represents those funding deficits or surpluses together with changes in the funding status of the schemes that will be recognised in the profit and loss account in future periods.

Certain BHP Billiton Group companies provide post-retirement medical benefits to qualifying pensioners. In some cases the benefits are provided through medical care schemes to which the company, the employees, the retirees and covered family members contribute. In some schemes, there is no funding of the benefits before retirement. For the unfunded schemes

FINANCIAL STATEMENTS

and for funded schemes, where it is possible to identify assets that are attributable to current and future retirees of the BHP Billiton Group companies, the cost of providing the post-retirement benefits is charged to the profit and loss account so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice, in a manner similar to that applied for defined benefit pension schemes. For other funded schemes the charge to the profit and loss account is measured on the basis of premiums payable.

Decommissioning, site restoration and environmental provisions
BHP Billiton Group companies are generally required to restore mines, oil and gas facilities and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the BHP Billiton Group's environmental policies.

The expected cost of any approved decommissioning or restoration program, discounted to its net present value, is provided when the related environmental disturbance occurs, based on the BHP Billiton Group's interpretation of environmental and regulatory requirements and its own environmental policies where these are more stringent and this has created an obligation on the Group. The cost is capitalised where it gives rise to future benefits. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in net interest and similar items payable. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances. Such costs are recognised where environmental contamination as a result of oil and chemical spills, seepage or other unforeseen events gives rise to a loss which is probable and reliably estimable.

The cost of ongoing programs to prevent and control pollution and to rehabilitate the environment is charged to the profit and loss account as incurred.

Financial instruments
The BHP Billiton Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices and, in certain circumstances, uses derivative financial instruments (including cash settled commodity contracts) to hedge these risks.

When undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both realised and unrealised transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of that transaction will be taken to the profit and loss account whether or not such derivative is terminated.

When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a) deferred and included in the measurement of the anticipated transaction when it occurs; or

(b) taken to the profit and loss account where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in debtors and are deferred and included in the settlement of the underlying transaction.

When undertaking strategic financial transactions, all gains and losses are taken to the profit and loss account at the end of each reporting period. The premiums paid on strategic financial transactions are taken to the profit and loss account at the inception of the contract.

Use of estimates
The preparation of the BHP Billiton Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported turnover and costs during the period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, turnover and costs. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Rounding of amounts
Amounts in the financial statements have, unless otherwise indicated, been rounded to the nearest million dollars.

Comparatives
Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

Exchange rates
The following exchange rates against the US dollar have been applied in these financial statements.

	Average 2004	Average 2003	Average 2002	**As at 30 June 2004**	As at 30 June 2003
Australian dollar [(a)]	**0.71**	0.58	0.52	**0.69**	0.67
Brazilian real	**2.94**	3.31	2.50	**3.11**	2.88
Canadian dollar	**1.35**	1.51	1.56	**1.35**	1.35
Chilean peso	**634**	718	672	**637**	697
Colombian peso	**2 779**	2 804	2 487	**2 699**	2 818
South African rand	**6.89**	9.03	10.03	**6.27**	7.50
Euro	**0.84**	0.96	0.83	**0.83**	0.87
UK pound sterling	**0.58**	0.63	0.69	**0.56**	0.61

[(a)] Displayed as US$ to A$1 based on common convention.

Impact of International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Group must comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Group's DLC structure results in two parent entities with their own statutory reporting obligations, one in Australia and the other in the UK. While Australia and the UK are currently moving to an IFRS-based financial reporting regime in the same timeframe, this structure creates unique IFRS implementation issues, for example:

(i) the Australian Accounting Standards Board has approved IFRS-based standards which mandate particular policies that are optional (and unlikely to become general practice) in the UK; and

(ii) there is a risk that further changes in IFRS prior to 30 June 2006 attract inconsistent early adoption rules between the two jurisdictions.

Accordingly, significant uncertainty remains as to the likely impact of IFRS on the Group's financial statements.

Management of IFRS implementation

The Group has established a formal project, monitored by a steering committee, to manage the transition to IFRS reporting. Regular updates are also provided to the Board Risk Management and Audit Committee. The implementation project consists of three phases:

(i) *Scoping and impact analysis phase* – Project scoping and impact analysis was substantially complete by 30 June 2004 and produced a high-level view of potential differences to existing accounting and reporting policies and consequential changes to information systems and business processes.

(ii) *Evaluation and design phase* – This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The evaluation and design phase is well advanced at 30 June 2004 and the Group will continue to evaluate the impact of IFRS through to implementation.

(iii) *Implementation and review phase* – The implementation and review phase has commenced and includes substantial training programs across the Group's finance staff, execution of changes to information systems and business processes and completing formal authorisation processes to approve recommended accounting policy changes. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements, embedding of IFRS in business processes, elimination of any unnecessary data collection processes and Board approval of IFRS financial statements. Implementation also involves delivery of further training to staff as revised systems begin to take effect. This phase commenced at the beginning of the 2004 calendar year and is not expected to be complete until 30 June 2005.

Key differences in accounting policies

These financial statements have been prepared in accordance with UK accounting standards and other UK financial reporting requirements (UK GAAP). The differences between UK GAAP and IFRS identified to date as potentially having a significant effect on the Group's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences (significant or not) between UK GAAP and IFRS.

The Group has not quantified the effects of the differences described below. The regulatory bodies that promulgate UK GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between UK GAAP and IFRS and their impact on the Group's financial statements in future years. The future impact of IFRS will also depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the Group identified to date are as follows:

- all derivative financial instruments must be recognised in the balance sheet and measured at fair value. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied. These changes may impact the manner in which the Group executes risk mitigation strategies through derivatives and their consequent accounting.
- income tax will be calculated using the 'balance sheet liability' approach, which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of balance sheet items, rather than accounting and tax values of items recognised in profit and loss. This approach has the potential to give rise to a wider range of deferred tax assets and liabilities and an increase in the volatility of deferred tax balances brought about by foreign exchange rate movements.
- the cost of employee compensation provided in the form of equity-based compensation (including shares and options) will be measured based on the fair value of those instruments, rather than their intrinsic value, and accrued over the period of employee service. This is likely to change the total amount of compensation cost and the pattern of cost recognition.
- defined benefit pension plan and medical benefit plan arrangements will result in the recognition of net assets or liabilities directly based on the underlying obligations and assets of those plans. The recognised net asset or liability will be subject to changes in value that may be more volatile than changes in assets and liabilities currently recognised under Statements of Standard Accounting Practice (SSAP) 24. Alternative methods of recognising this volatility will be available, including direct recognition in profit and loss, progressive recognition using a 'corridor' approach, or recognition directly in equity.

1 Principal subsidiaries, joint ventures and joint arrangements

Subsidiary undertakings

The principal subsidiary undertakings (those which principally affect the profit or net assets) of BHP Billiton Plc and BHP Billiton Limited, none of which are held directly by BHP Billiton Plc are as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 2004 %	2003 %
BHP Billiton Canadian Diamonds Company	Canada	Diamond mining	**100**	100
BHP Billiton Diamonds Inc	Canada	Diamond mining	**100**	100
BHP Billiton Finance BV	Netherlands	Finance	**100**	100
BHP Billiton Finance Ltd	Australia	Finance	**100**	100
BHP Billiton Finance (USA) Ltd [(a)]	Australia	Finance	**100**	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton Marketing AG	Switzerland	Marketing and trading	**100**	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore, silver, lead and zinc mining	**100**	100
BHP Billiton Petroleum (Americas) Inc	US	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (Australia) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (Bass Strait) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (Deepwater) Inc	US	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (GOM) Inc	US	Hydrocarbons exploration	**100**	100
BHP Billiton Petroleum (NWS) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum Great Britain Ltd	UK	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (International Exploration) Pty Ltd	Australia	Hydrocarbons development and production	**100**	100
BHP Billiton Petroleum (Victoria) Pty Ltd	Australia	Hydrocarbons development	**100**	100
BHP Billiton SA Ltd	South Africa	Holding and service company	**100**	100
BHP Billiton Tintaya SA	Peru	Copper mining	**99.95**	99.95
BHP Billiton Transport and Logistics Pty Ltd	Australia	Transport services	**100**	100
BHP Billiton (Trinidad – 2c) Ltd	Canada	Hydrocarbons development	**100**	100
BHP Billiton World Exploration Inc	Canada	Exploration	**100**	100
BHP Coal Pty Ltd	Australia	Holding company and coal mining	**100**	100
BHP Copper Inc	US	Holding company and copper mining	**100**	100
BHP Financial Services (UK) Ltd	Guernsey	Finance	**100**	100
BHP Marine and General Insurances Pty Ltd	Australia	Insurance company	**100**	100
BHP Minerals Exploration Inc	US	Holding company	**100**	100
BHP Mitsui Coal Pty Ltd	Australia	Holding company and coal mining	**80**	80
BHP Navajo Coal Company	US	Coal mining	**100**	100
BHP Operations Inc	US	Finance	**100**	100
BHP Petroleum (Pakistan) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Queensland Coal Investments Pty Ltd	Australia	Holding company and coal mining	**100**	100
Billiton Aluminium Australia Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
Billiton Aluminium South Africa Ltd	South Africa	Aluminium smelting	**100**	100
Billiton Coal Australia Pty Ltd	Australia	Coal mining	**100**	100
Billiton Marketing Holding BV	Netherlands	Marketing and trading	**100**	100
Billiton Metais SA	Brazil	Alumina refining and aluminium smelting	**100**	100
Broken Hill Proprietary (USA) Inc	US	Service company	**100**	100
Cerro Matoso SA	Colombia	Nickel mining and ferro-nickel smelting	**99.8**	99.8
Compania Minera Cerro Colorado Limitada	Chile	Copper mining	**100**	100

1 Principal subsidiaries, joint ventures and joint arrangements continued

Subsidiary undertakings continued

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 2004 %	2003 %
Compania Minera Riochilex SA	Chile	Copper exploration	**100**	100
Dia Met Minerals Ltd	Canada	Diamond mining	**100**	100
Endeavour Coal Pty Ltd	Australia	Coal mining	**100**	100
Groote Eylandt Mining Co Pty Ltd	Australia	Manganese mining	**60**	60
Illawarra Coal Holdings Pty Ltd	Australia	Coal mining	**100**	100
Ingwe Coal Corporation Ltd	South Africa	Coal mining	**100**	100
QNI Pty Ltd	Australia	Holding company	**100**	100
QNI Metals Pty Ltd	Australia	Nickel refining	**100**	100
QNI Resources Pty Ltd	Australia	Nickel refining	**100**	100
Rio Algom Ltd	Canada	Holding company	**100**	100
Samancor Ltd	South Africa	Chrome and manganese mining and production	**60**	60
Samancor AG	Switzerland	Marketing and trading	**60**	60
San Juan Coal Company	US	Coal mining	**100**	100
San Juan Transportation Company	US	Coal transportation	**100**	100
Tasmanian Electro Metallurgical Co Pty Ltd	Australia	Manganese alloys	**60**	60

(a) BHP Billiton Finance (USA) Ltd is 100 per cent owned by BHP Billiton Limited. BHP Billiton Limited and BHP Billiton Plc have each fully and unconditionally guaranteed BHP Billiton Finance (USA) Ltd's debt securities.

Joint ventures

The principal joint ventures of the BHP Billiton Group are as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 2004 %	2003 %
Caesar Oil Pipeline Company LLC	US	Hydrocarbons transportation	**25**	25
Carbones del Cerrejon LLC	Anguilla	Coal mining in Colombia	**33.3**	33.3
Cleopatra Gas Gathering Company LLC	US	Hydrocarbons transportation	**22**	22
Highland Valley Copper	Canada	Copper mining	**–**	33.6
Minera Antamina SA	Peru	Copper and zinc mining	**33.75**	33.75
Integris Metals Inc	US	Metals distribution	**50**	50
Richards Bay Minerals (a)	South Africa	Mineral sands mining and processing	**50**	50
Samarco Mineracao SA	Brazil	Iron ore mining	**50**	50

(a) Richards Bay Minerals comprises two legal entities as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 2004 %	2003 %
Tisand (Pty) Limited	South Africa	Mineral sands mining	**51**	51
Richards Bay Iron and Titanium (Pty) Limited	South Africa	Production of titanium dioxide slag, zircon and rutile	**49**	49

In accordance with the shareholder agreement between the BHP Billiton Group and Rio Tinto (which owns the shares of Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited not owned by the BHP Billiton Group), Richards Bay Minerals functions as a single economic entity. The overall profit of Richards Bay Minerals is shared equally between the venturers.

1 Principal subsidiaries, joint ventures and joint arrangements continued

Proportionally included joint arrangements
The principal joint arrangements in which the BHP Billiton Group has an interest and which are proportionally included in the financial statements are as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 2004 %	2003 %
Atlantis	US	Hydrocarbons development	**44**	44
Bass Strait	Australia	Hydrocarbons exploration and production	**50**	50
Boris	US	Hydrocarbons exploration and production	**50**	50
Bruce	UK	Hydrocarbons exploration and production	**16**	16
Cascade	US	Hydrocarbons exploration	**50**	50
Chinook	US	Hydrocarbons exploration	**40**	40
Griffin	Australia	Hydrocarbons exploration and production	**45**	45
Gulf of Mexico	US	Hydrocarbons exploration and production	**5–100**	5–100
Keith	UK	Hydrocarbons exploration and production	**31.83**	31.83
Laminaria	Australia	Hydrocarbons exploration and production	**25–33**	25–33
Liverpool Bay	UK	Hydrocarbons exploration and production	**46.1**	46.1
Mad Dog	US	Hydrocarbons development	**23.9**	23.9
Mamore	Bolivia	Hydrocarbons exploration and production	**–**	50
Neptune	US	Hydrocarbons exploration	**35**	35
North West Shelf	Australia	Hydrocarbons exploration and production	**8–17**	8–17
Ohanet	Algeria	Hydrocarbons exploration and production	**45**	45
ROD Integrated Development	Algeria	Hydrocarbons development	**36.04**	36.04
Shenzi	US	Hydrocarbons exploration	**44**	44
Trinidad 2c – Angostura	Trinidad & Tobago	Hydrocarbons development	**45**	45
Typhoon	US	Hydrocarbons exploration and production	**50**	50
Zamzama	Pakistan	Hydrocarbons exploration and production	**38.5**	38.5
Alumar	Brazil	– Alumina refining	**36**	36
		– Aluminium smelting	**46.3**	46.3
Billiton Suriname (a)	Suriname	– Bauxite mining	**45**	76
		– Alumina refining	**45**	45
Mozal	Mozambique	Aluminium smelting	**47.1**	47.1
Valesul Aluminio	Brazil	Aluminium smelting	**45.5**	45.5
Worsley	Australia	Bauxite mining and alumina refining	**86**	86
Escondida	Chile	Copper mining	**57.5**	57.5
Central Queensland Coal Associates	Australia	Coal mining	**50**	50
Gregory	Australia	Coal mining	**50**	50
Mt Goldsworthy Mining Associates	Australia	Iron ore mining	**85**	85
Mt Newman	Australia	Iron ore mining	**85**	85
Yandi	Australia	Iron ore mining	**85**	85
EKATI	Canada	Diamond mining	**80**	80
Douglas Colliery	South Africa	Coal mining	**84**	84
Middelburg Mine	South Africa	Coal mining	**84**	84
Richards Bay Coal Terminal	South Africa	Coal exporting	**37**	37

(a) At 30 June 2003 the BHP Billiton Group had an interest in the Suriname Lelydorp Bauxite mine of 76 per cent, the remaining 24 per cent being owned by Suriname Aluminium Company, L.L.C. (Suralco). Effective 1 August 2003, the joint arrangement was restructured such that the BHP Billiton Group acquired a 45 per cent economic interest in the Suralco-owned Coermobito mine in exchange for an additional 31 per cent economic interest in the Lelydorp mine. The restructured 45 per cent (BHP Billiton) – 55 per cent (Suralco) arrangement consists of two unincorporated joint ventures, covering respectively the bauxite exploration and mining activities and the alumina refining activities. BHP Billiton manages all mining operations while Suralco continues to manage the alumina refining activities.

2 Exceptional items

Year ended 30 June 2004	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Introduction of tax consolidation regime in Australia	–	95	95
Litigation settlement	66	(18)	48
US and Canadian taxation deductions	–	238	238
Closure plans	(534)	22	(512)
Total by category	(468)	337	(131)
Exceptional items by Customer Sector Group			
Petroleum	66	(18)	48
Base Metals	(482)	11	(471)
Stainless Steel Materials	(10)	3	(7)
Group and unallocated items	(42)	341	299
Total by Customer Sector Group	(468)	337	(131)

Introduction of tax consolidation regime in Australia
During the year ended 30 June 2004, BHP Billiton elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government. Under the transitional rules, the Group has chosen to reset the tax cost base of certain depreciable assets, which will result in additional tax depreciation over the lives of these assets. This has resulted in the restatement of deferred tax balances and an exceptional tax benefit of US$95 million being recorded in accordance with UK GAAP.

Litigation settlement
In December 2003, BHP Billiton announced that it was part of a consortium that had reached a settlement with Dalmine SpA with respect to a claim brought against Dalmine in April 1998. The claim followed the failure of an underwater pipeline installed in 1994 in the Liverpool Bay area of the UK continental shelf. As a result of the settlement, BHP Billiton has recorded an exceptional gain of US$66 million, before tax expense of US$18 million.

US and Canadian taxation deductions
During the year ended 30 June 2004, the level of certainty regarding potential benefits arising from prior period taxation deductions and foreign tax credits available in the US and Canada has increased to the extent that some of the provisions against deferred tax assets established in prior years are no longer necessary. This is a result of higher income generation, changes in legislation and effective utilisation of tax credits during the year, along with increasing confidence regarding the ability to realise benefits in the future. Accordingly, the Group has recorded an exceptional tax benefit of US$238 million.

Closure plans
During the year ended 30 June 2004, the Group refined its plans in relation to certain closed operations. In relation to the Group's Southwest Copper business in the US, this resulted in a charge of US$425 million resulting from a re-estimation of short-term closure costs and the inclusion of residual risks, longer-term water management and other costs, and an increase in the residual value of certain assets. Additionally, at other closed sites, a charge of US$109 million (before a tax benefit of US$22 million) was recorded, mainly in relation to the Island Copper mine, the Newcastle steelworks and the Selbaie copper mine. Accordingly, the Group has recorded a net after-tax exceptional loss of US$512 million (refer note 21).

2 Exceptional items continued

Year ended 30 June 2003	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Loss on sale of 6% interest in BHP Steel	(19)	–	(19)
Total by category	(19)	–	(19)
Exceptional items by Customer Sector Group			
Discontinued Operations	(19)	–	(19)
Total by Customer Sector Group	(19)	–	(19)

Loss on sale of 6% interest in BHP Steel
Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. A 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's Steel business. This was sold in July 2002 for US$75 million and the loss of US$19 million associated with this sale was recognised in the year ended 30 June 2003 as an exceptional item in relation to Discontinued Operations.

Year ended 30 June 2002	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Termination of operations	(101)	–	(101)
Change in UK tax rate on petroleum operations	–	(56)	(56)
Suspension of operations	(31)	9	(22)
Merger related restructuring costs	(80)	15	(65)
Total by category	(212)	(32)	(244)
Exceptional items by Customer Sector Group			
Petroleum	(4)	1	(3)
Aluminium	(4)	–	(4)
Base Metals	(145)	10	(135)
Carbon Steel Materials	(6)	1	(5)
Diamonds and Specialty Products	(6)	2	(4)
Energy Coal	(5)	1	(4)
Stainless Steel Materials	(3)	–	(3)
Group and unallocated items	(39)	(47)	(86)
Total by Customer Sector Group	(212)	(32)	(244)

Termination of operations
During the 2002 year, following a reassessment of the Group's asset disposal and closure plans relating to its Southwest Copper business in the US (where the Group ceased operations in 1999), impairment provisions, principally related to the San Manuel smelter, were increased by US$171 million. This was offset by a reduction of US$70 million in provisions relating to the expected timing of site restoration expenditure.

Change in UK tax rate on petroleum operations
In June 2002, a change in legislation increased the corporation taxation rate for petroleum operations in the United Kingdom from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated by US$56 million.

Suspension of operations
As at 30 June 2002, sulphide operations at Tintaya had been suspended. An exceptional charge of US$31 million recognised the costs of the suspension and a write-down of obsolete equipment. Operations recommenced in August 2003.

3 Discontinued Operations

Due to the demerger of the BHP Steel business (now known as BlueScope Steel) in July 2002, BHP Steel's results have been reported as Discontinued Operations.

The BHP Billiton Group demerged the BHP Steel business in July 2002 as follows:

- a capital reduction and a transfer to BHP Billiton Limited shareholders of 94 per cent of the shares in BHP Steel;
- a bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held); and
- the sale by the BHP Billiton Group of the remaining 6 per cent of BHP Steel shares held by the Group.

The impact of these steps was:

- the BHP Billiton Group's equity shareholders' funds were reduced by US$1 489 million, including costs directly associated with the demerger of US$17 million net of tax (US$24 million before tax);
- a cash inflow of US$347 million, representing net US$294 million from the settlement by BHP Steel of intercompany loans, less US$22 million demerger transaction costs paid, and US$75 million from the sale of the 6 per cent of BHP Steel; and
- a 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's steel business. This was sold in July 2002 for US$75 million and the loss of US$19 million associated with this sale was recognised in the year ended 30 June 2003 and disclosed as an exceptional item in relation to Discontinued Operations.

The net assets demerged in July 2002 are provided below, after allowing for the settlement of intercompany loans by BHP Steel to the BHP Billiton Group and the realisation of Group profit in stock held by BHP Steel.

	US$M
Attributable net assets at 30 June 2002	1 870
Net payments to the BHP Billiton Group by BHP Steel to settle intercompany loans (post 30 June 2002)	(294)
Attributable net assets of BHP Steel at date of demerger	1 576
Group profit in stock held by BHP Steel	(9)
Attributable net assets of the BHP Billiton Group at date of demerger [a]	1 567

[a] Of the US$1 567 million attributable net assets available for demerger, approximately 94 per cent or US$1 472 million were demerged to shareholders of BHP Billiton Limited; this together with US$17 million in costs of the demerger represents a total reduction in equity shareholders' funds of US$1 489 million. Refer note 25.

4 Analysis by business segment

	External turnover US$M	Inter-segment turnover US$M	Profit/(loss) before taxation[a] US$M	Net operating assets (note 6) US$M	Depreciation and amortisation US$M	Other significant non-cash items[b] US$M	Capital expenditure US$M
Group including joint ventures and associates [a][c]							
Year ended 30 June 2004							
Petroleum	**5 508**	**50**	**1 391**	**4 074**	**587**	**11**	**927**
Aluminium	**4 432**	**–**	**776**	**5 309**	**234**	**–**	**272**
Base Metals [d]	**3 422**	**–**	**1 156**	**3 272**	**255**	**–**	**215**
Carbon Steel Materials	**4 850**	**7**	**1 137**	**3 026**	**226**	**2**	**662**
Diamonds and Specialty Products	**1 688**	**22**	**410**	**1 521**	**123**	**29**	**188**
Energy Coal	**2 569**	**–**	**234**	**2 194**	**189**	**67**	**141**
Stainless Steel Materials	**1 749**	**–**	**571**	**1 823**	**101**	**4**	**151**
Group and unallocated items	**725**	**1 071**	**(187)**	**291**	**36**	**99**	**33**
Exceptional items			**(468)**			**468**	
Continuing Operations	**24 943**	**1 150**	**5 020**	**21 510**	**1 751**	**680**	**2 589**
Net interest			**(502)**			**244**	
BHP Billiton Group	**24 943**	**1 150**	**4 518**	**21 510**	**1 751**	**924**	**2 589**
Year ended 30 June 2003 (restated)							
Petroleum	3 260	4	1 178	3 293	549	50	861
Aluminium	3 386	–	581	5 095	233	–	462
Base Metals [d]	1 954	–	286	3 877	257	(2)	201
Carbon Steel Materials	3 688	26	1 045	2 567	192	7	479
Diamonds and Specialty Products	1 474	11	299	1 518	105	–	101
Energy Coal	2 089	–	198	2 193	177	2	300
Stainless Steel Materials	1 106	–	150	1 695	96	10	121
Group and unallocated items	549	465	(256)	418	39	76	46
Exceptional items			–			–	
Continuing Operations	17 506	506	3 481	20 656	1 648	143	2 571
Discontinued Operations			(19)				
Net interest			(537)			237	
BHP Billiton Group	17 506	506	2 925	20 656	1 648	380	2 571
Year ended 30 June 2002 (restated)							
Petroleum	2 780	35	1 073	2 865	571	4	687
Aluminium	2 857	–	492	4 727	234	–	291
Base Metals [d]	1 821	–	192	4 062	233	35	578
Carbon Steel Materials	3 140	166	1 084	2 412	183	32	284
Diamonds and Specialty Products	1 474	6	272	1 620	76	8	121
Energy Coal	1 919	–	536	2 092	176	–	295
Stainless Steel Materials	868	–	3	1 663	89	16	84
Group and unallocated items	369	361	(550)	719	33	44	43
Exceptional items			(212)			132	
Continuing Operations	15 228	568	2 890	20 160	1 595	271	2 383
Discontinued Operations	2 550	–	86	2 248	132	–	98
Net interest			(249)			(138)	
BHP Billiton Group	17 778	568	2 727	22 408	1 727	133	2 481

4 Analysis by business segment continued

	External turnover			Profit/(loss) before taxation			Net operating assets (note 6)		Net assets	
	2004 US$M	2003 US$M	2002 US$M	**2004 US$M**	2003 US$M	2002 US$M	**2004 US$M**	2003 US$M	**2004 US$M**	2003 US$M
Joint ventures and associates [e]										
Petroleum	**–**	–	–	**–**	–	–	**97**	70	**98**	73
Aluminium	**–**	–	40	**–**	–	–	**–**	–	**–**	–
Base Metals [d]	**389**	432	424	**104**	61	56	**719**	802	**212**	262
Carbon Steel Materials	**329**	244	244	**102**	80	75	**369**	314	**286**	299
Diamonds and Specialty Products	**1 041**	1 005	749	**106**	170	165	**601**	580	**250**	277
Energy Coal	**283**	204	129	**115**	45	35	**651**	637	**519**	488
Stainless Steel Materials	**6**	13	80	**–**	2	(3)	**4**	4	**4**	4
Group and unallocated items	**8**	–	–	**(2)**	–	1	**25**	–	**–**	–
Continuing Operations	**2 056**	1 898	1 666	**425**	358	329	**2 466**	2 407	**1 369**	1 403
Discontinued Operations	**–**	–	206	**–**	–	11	**–**	–	**–**	–
Net interest				**(95)**	(93)	(37)				
BHP Billiton Group	**2 056**	1 898	1 872	**330**	265	303	**2 466**	2 407	**1 369**	1 403

	External turnover			Profit/(loss) before taxation		
	2004 US$M	2003 US$M	2002 US$M	**2004 US$M**	2003 (Restated) US$M	2002 US$M
Third party products included above [f]						
Petroleum	**2 286**	296	72	**(22)**	1	1
Aluminium	**1 823**	1 333	1 006	**11**	28	13
Base Metals	**335**	38	24	**(4)**	5	–
Carbon Steel Materials	**102**	26	22	**(9)**	(2)	–
Diamonds and Specialty Products	**829**	747	823	**29**	10	9
Energy Coal	**554**	413	122	**21**	7	9
Stainless Steel Materials	**47**	10	9	**7**	1	1
Group and unallocated items	**684**	519	112	**–**	1	(5)
	6 660	3 382	2 190	**33**	51	28

(a) Before minority interests. Depreciation and amortisation, other significant non-cash items and capital expenditure represent the Group excluding joint ventures and associates.
(b) Other significant non-cash items comprise impairment of assets, non-cash exceptional items, employee share awards, exchange differences on net debt and discounting on provisions and other liabilities.
(c) It is the Group's policy that inter-segment sales are made on a commercial basis.
(d) Includes turnover attributable to associates of US$nil (2003: US$94 million; 2002: US$126 million) and operating profit attributable to associates of US$nil (2003: US$29 million; 2002: US$32 million).
(e) Total turnover of joint ventures and associates does not include any inter-segment turnover.
(f) Turnover from third party products includes sales of freight capacity.

5 Analysis by geographical segment

	Group			Joint ventures and associates			Total		
	2004 US$M	2003 US$M	2002 US$M	**2004 US$M**	2003 US$M	2002 US$M	**2004 US$M**	2003 US$M	2002 US$M
Analysis by geographical market									
Turnover									
Continuing Operations									
Australia	**1 857**	1 769	1 437	**17**	6	5	**1 874**	1 775	1 442
Europe	**8 515**	5 136	4 064	**426**	446	366	**8 941**	5 582	4 430
Japan	**2 675**	2 269	1 941	**132**	124	137	**2 807**	2 393	2 078
South Korea	**1 538**	1 149	1 002	**60**	54	66	**1 598**	1 203	1 068
China	**2 239**	1 069	721	**193**	147	20	**2 432**	1 216	741
Other Asia	**1 512**	1 096	1 081	**71**	76	176	**1 583**	1 172	1 257
North America	**1 765**	1 452	1 575	**1 017**	937	769	**2 782**	2 389	2 344
Southern Africa	**1 344**	918	890	**19**	26	46	**1 363**	944	936
Rest of World	**1 442**	750	851	**121**	82	81	**1 563**	832	932
Continuing Operations	**22 887**	15 608	13 562	**2 056**	1 898	1 666	**24 943**	17 506	15 228
Discontinued Operations									
Australia	**–**	–	1 339	**–**	–	–	**–**	–	1 339
Europe	**–**	–	112	**–**	–	–	**–**	–	112
Japan	**–**	–	17	**–**	–	–	**–**	–	17
South Korea	**–**	–	42	**–**	–	–	**–**	–	42
China	**–**	–	107	**–**	–	–	**–**	–	107
Other Asia	**–**	–	221	**–**	–	–	**–**	–	221
North America	**–**	–	185	**–**	–	206	**–**	–	391
Rest of World	**–**	–	321	**–**	–	–	**–**	–	321
Discontinued Operations (a)	**–**	–	2 344	**–**	–	206	**–**	–	2 550
Total by geographical market	**22 887**	15 608	15 906	**2 056**	1 898	1 872	**24 943**	17 506	17 778
Analysis by geographical origin									
Turnover									
Continuing Operations									
Australia	**7 262**	6 527	5 792	**8**	–	50	**7 270**	6 527	5 842
Europe	**6 719**	2 792	2 049	**31**	6	–	**6 750**	2 798	2 049
North America	**1 601**	1 341	1 475	**902**	845	668	**2 503**	2 186	2 143
South America (b)	**3 260**	1 970	1 648	**870**	757	607	**4 130**	2 727	2 255
Southern Africa	**3 637**	2 857	2 355	**245**	290	341	**3 882**	3 147	2 696
Rest of World	**408**	121	243	**–**	–	–	**408**	121	243
Continuing Operations	**22 887**	15 608	13 562	**2 056**	1 898	1 666	**24 943**	17 506	15 228
Discontinued Operations									
Australia	**–**	–	1 887	**–**	–	–	**–**	–	1 887
Europe	**–**	–	31	**–**	–	–	**–**	–	31
North America	**–**	–	2	**–**	–	206	**–**	–	208
Rest of World	**–**	–	424	**–**	–	–	**–**	–	424
Discontinued Operations (a)	**–**	–	2 344	**–**	–	206	**–**	–	2 550
Total by geographical origin	**22 887**	15 608	15 906	**2 056**	1 898	1 872	**24 943**	17 506	17 778

5 Analysis by geographical segment continued

	Group			Joint ventures and associates			Total		
	2004 US$M	2003 US$M	2002 US$M	**2004 US$M**	2003 US$M	2002 US$M	**2004 US$M**	2003 US$M	2002 US$M
Profit/(loss) before taxation									
Continuing Operations									
Australia	**2 106**	1 890	1 522	**(2)**	–	27	**2 104**	1 890	1 549
Europe	**725**	253	233	**31**	6	–	**756**	259	233
North America	**(224)**	180	16	**36**	8	6	**(188)**	188	22
South America (b)	**1 439**	396	158	**280**	180	143	**1 719**	576	301
Southern Africa	**457**	394	559	**80**	164	153	**537**	558	712
Rest of World	**92**	10	73	**–**	–	–	**92**	10	73
Continuing Operations	**4 595**	3 123	2 561	**425**	358	329	**5 020**	3 481	2 890
Discontinued Operations									
Australia	**–**	(19)	25	**–**	–	–	**–**	(19)	25
Europe	**–**	–	3	**–**	–	–	**–**	–	3
North America	**–**	–	10	**–**	–	11	**–**	–	21
Rest of World	**–**	–	37	**–**	–	–	**–**	–	37
Discontinued Operations (a)	**–**	(19)	75	**–**	–	11	**–**	(19)	86
Net interest	**(407)**	(444)	(212)	**(95)**	(93)	(37)	**(502)**	(537)	(249)
Total by geographical origin	**4 188**	2 660	2 424	**330**	265	303	**4 518**	2 925	2 727
Net operating assets (refer note 6)									
Continuing Operations (restated)									
Australia	**7 260**	6 884	6 589	**25**	(3)	3	**7 285**	6 881	6 592
Europe	**951**	676	624	**14**	2	–	**965**	678	624
North America	**1 269**	1 340	1 122	**397**	429	520	**1 666**	1 769	1 642
South America (b)	**4 456**	4 503	4 909	**1 710**	1 661	1 896	**6 166**	6 164	6 805
Southern Africa	**4 176**	4 117	3 804	**320**	318	325	**4 496**	4 435	4 129
Rest of World	**932**	729	368	**–**	–	–	**932**	729	368
Continuing Operations	**19 044**	18 249	17 416	**2 466**	2 407	2 744	**21 510**	20 656	20 160
Discontinued Operations									
Australia	**–**	–	1 572	**–**	–	–	**–**	–	1 572
Europe	**–**	–	2	**–**	–	–	**–**	–	2
North America	**–**	–	–	**–**	–	172	**–**	–	172
Southern Africa	**–**	–	5	**–**	–	–	**–**	–	5
Rest of World	**–**	–	497	**–**	–	–	**–**	–	497
Discontinued Operations (a)	**–**	–	2 076	**–**	–	172	**–**	–	2 248
Total by geographical origin	**19 044**	18 249	19 492	**2 466**	2 407	2 916	**21 510**	20 656	22 408

(a) Refer note 3.

(b) Includes turnover attributable to associates of US$nil (2003: US$94 million; 2002: US$126 million), operating profit attributable to associates of US$nil (2003: US$29 million; 2002: US$32 million) and net operating assets attributable to associates of US$nil (2003: US$nil; 2002: US$223 million).

6 Reconciliation of net operating assets

	Group 2004 US$M	Group 2003 (restated) US$M	Joint ventures and associates 2004 US$M	Joint ventures and associates 2003 US$M	Total 2004 US$M	Total 2003 (restated) US$M
Net operating assets (refer notes 4 and 5)	**19 044**	18 249	**2 466**	2 407	**21 510**	20 656
Cash including money market deposits	**1 818**	1 552	**112**	113	**1 930**	1 665
Debt	**(6 587)**	(7 324)	**(763)**	(702)	**(7 350)**	(8 026)
Corporation tax	**(307)**	(343)	**(45)**	(5)	**(352)**	(348)
Dividends payable	**(592)**	(468)	**–**	–	**(592)**	(468)
Deferred tax	**(606)**	(966)	**(163)**	(117)	**(769)**	(1 083)
Tax recoverable	**3**	13	**–**	–	**3**	13
Loans to joint ventures	**238**	293	**(238)**	(293)	**–**	–
Net assets	**13 011**	11 006	**1 369**	1 403	**14 380**	12 409

7 Net operating costs

	2004 US$M	2003 US$M	2002 US$M
Change in stocks of finished goods and work in progress	**(270)**	(158)	(99)
Raw materials and consumables	**3 116**	2 450	3 240
External services (including transportation)	**3 557**	2 539	2 950
Third party commodity purchases	**5 747**	2 547	1 277
Staff costs (refer note 9)	**2 177**	1 746	2 049
Amortisation of goodwill and negative goodwill	**(1)**	2	3
Depreciation of tangible fixed assets	**1 752**	1 646	1 724
Impairment charge	**116**	73	119
Other operating income	**(231)**	(147)	(163)
Resource rent taxes	**432**	467	405
Operating lease charges	**172**	127	228
Government royalties paid or payable [(a)]	**421**	352	294
Royalties other	**36**	66	57
Other operating charges	**870**	844	1 219
Group [(b)]	**17 894**	12 554	13 303
Joint ventures and associates	**1 631**	1 540	1 532
Operating costs including joint ventures and associates [(c)]	**19 525**	14 094	14 835
Operating lease charges include the following:			
Land and buildings	**42**	47	24
Plant and equipment	**128**	75	79
Other	**2**	5	125
	172	127	228

7 Net operating costs continued

	2004 US$M	2003 US$M	2002 US$M
Audit fees payable by the BHP Billiton Group to:			
Auditors of BHP Billiton Plc (including overseas firms) [d]			
KPMG	**7.8**	3.4	3.2
PricewaterhouseCoopers	**0.5**	4.1	2.9
Other audit firms [e]	**–**	1.0	3.8
	8.3	8.5	9.9
Fees payable by the BHP Billiton Group to auditors for other services:			
Auditors of BHP Billiton Plc (including overseas firms) [d] [f]			
Audit–related services [g]			
KPMG	**0.4**	0.6	1.0
PricewaterhouseCoopers [d]	**–**	1.6	1.0
Information systems design and implementation [h]			
KPMG	**–**	0.7	5.7
Taxation services [i]			
KPMG	**1.5**	2.0	1.6
PricewaterhouseCoopers [d]	**–**	1.3	1.4
Other services [j]			
KPMG	**0.3**	0.6	2.6
PricewaterhouseCoopers [d]	**–**	0.1	1.8
	2.2	6.9	15.1
Other audit firms [d][e]			
Other services [d]	**–**	1.4	4.4
	10.5	16.8	29.4

[a] Includes amounts paid or payable to Australian governments of US$262 million (2003: US$231 million) and to others of US$159 million (2003: US$121 million).
[b] Includes net operating costs attributable to Discontinued Operations as follows:

	2004 US$M	2003 US$M	2002 US$M
Change in stocks of finished goods and work in progress	**–**	–	3
Raw materials and consumables	**–**	–	946
Staff costs	**–**	–	506
Depreciation of tangible fixed assets	**–**	–	132
Other operating charges	**–**	–	698
	–	–	2 285

[c] Includes research and development costs of US$19 million (2003: US$40 million; 2002: US$30 million).
[d] During the year ended 30 June 2004, the BHP Billiton Group completed a review of its joint external audit services and resolved that the audit could be more efficiently undertaken by a single audit firm. As a result of this review, KPMG was selected to continue as sole auditor. In addition to the audit fee disclosed above, PricewaterhouseCoopers received US$0.4 million in relation to other services.
[e] Audited by auditors other than those that were joint Group auditors of the BHP Billiton Group. During the year ended 30 June 2002, Ernst & Young and Arthur Andersen were the auditors of the BHP Billiton Limited Group and the comparative amount includes US$3.6 million in audit fees that were paid to those firms.
[f] The amounts paid to the UK firms and their associates amounted to US$0.6 million (2003: US$1.9 million; 2002: US$1.2 million).
[g] Mainly includes accounting advice, due diligence services and services associated with securities offerings. For the year ended 30 June 2004, audit fees of US$0.3 million (2003: US$0.2 million) relating to pension plans, which are not directly payable by the BHP Billiton Group, have been excluded from the above analysis.
[h] Relates to legacy contracts entered into with the former consulting arms of the joint audit firms before they were disposed.
[i] Mainly includes tax compliance services and employee expatriate taxation services.
[j] Mainly includes human resources services and pension advisory services. The year ended 30 June 2002 also includes fees related to legacy internal audit services provided to BHP Billiton Limited which were contracted prior to the DLC merger. These services ceased during the year ended 30 June 2002.

8 Net interest and similar items payable

	2004 US$M	2003 US$M	2002 US$M
On bank loans and overdrafts	**113**	131	161
On all other loans	**229**	241	311
Finance lease interest	**2**	4	5
	344	376	477
Dividends on redeemable preference shares	**23**	24	39
Discounting on provisions and other liabilities	**111**	97	42
less Amounts capitalised [a]	**(97)**	(103)	(58)
	381	394	500
Share of interest of joint ventures and associates	**66**	68	71
	447	462	571
Interest received/receivable	**(78)**	(65)	(142)
	369	397	429
Exchange differences on net debt [b]			
Group	**104**	115	(146)
Joint ventures and associates	**29**	25	(34)
	133	140	(180)
Net interest and similar items payable [c]	**502**	537	249

[a] Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction or, where financed through general borrowings, at a capitalisation rate representing the average borrowing cost of the Group. For the year ended 30 June 2004 the capitalisation rate was 4.6 per cent (2003: 5.2 per cent; 2002: 5.5 per cent).

[b] Net exchange losses/(gains) primarily represent the effect on borrowings of the appreciation/(depreciation) of the South African rand against the US dollar.

[c] Disclosed in the consolidated profit and loss account as:

	2004 US$M	2003 US$M	2002 US$M
Net interest and similar items payable			
Group	**407**	444	212
Joint ventures and associates	**95**	93	37
Net interest and similar items payable	**502**	537	249

9 Employees

	2004 Number	2003 Number	2002 Number
The average number of employees, which excludes joint ventures' and associates' employees and includes executive Directors, during the financial year was as follows:			
Petroleum	**1 901**	1 872	1 770
Aluminium	**5 590**	5 362	5 246
Base Metals	**3 414**	3 319	3 646
Carbon Steel Materials	**6 812**	6 381	6 380
Diamonds and Specialty Products	**1 203**	1 208	1 754
Energy Coal	**9 138**	9 668	10 373
Stainless Steel Materials	**5 318**	5 282	5 572
Discontinued Operations (refer note 3)	**–**	–	12 269
Group and unallocated	**1 694**	1 709	3 214
	35 070	34 801	50 224

	2004 US$M	2003 US$M	2002 US$M
The aggregate payroll expenses of those employees was as follows:			
Wages, salaries and redundancies	**1 901**	1 501	1 843
Employee share awards	**96**	70	28
Social security costs	**18**	20	28
Pensions and post-retirement medical benefit costs (refer note 27)	**162**	155	150
	2 177	1 746	2 049

Details of remuneration, pension entitlements and interests in share awards, for each Director and in aggregate, are detailed in sections 2 to 7 of the Remuneration Report. This information, other than section 3.2.2, forms part of the financial statements.

10 Taxation

	2004 US$M	2003 US$M	2002 US$M
Analysis of charge in the financial year			
UK taxation			
Corporation tax at 30% [(a)]			
Current [(b)]	**419**	292	165
Deferred	**50**	(124)	16
less Double taxation relief	**(327)**	(132)	(92)
	142	36	89
Australian taxation			
Corporation tax at 30%			
Current	**448**	330	235
Deferred	**(34)**	150	225
	414	480	460
South African taxation			
Corporation tax at 30%			
Current	**42**	127	239
Deferred	**117**	74	(120)
	159	201	119
Other overseas taxation			
Current	**715**	192	99
Deferred	**(504)**	(30)	108
	211	162	207
Share of joint ventures' tax charge			
Current	**61**	56	93
Deferred	**46**	45	(11)
	107	101	82
Share of associates' current tax charge	**–**	–	(4)
Withholding tax and secondary taxes on companies	**9**	4	37
	1 042	984	990
Made up of:			
Aggregate current tax			
Group	**1 306**	813	683
Joint ventures and associates	**61**	56	89
	1 367	869	772
Aggregate deferred tax			
Group	**(371)**	70	229
Joint ventures and associates	**46**	45	(11)
	(325)	115	218
Taxation [(c)]	**1 042**	984	990

(a) There is an additional 10 per cent tax applicable to petroleum operations in the UK which commenced during the year ended 30 June 2002.
(b) Of the adjustments to prior year provisions for current tax amounting to a gain of US$14 million (2003: US$105 million; 2002: US$23 million), US$5 million gain (2003: US$8 million; 2002: US$nil) relates to the UK.
(c) Taxation includes an exceptional credit of US$337 million (2003: US$nil; 2002: US$32 million charge). Refer note 2.

10 Taxation continued

	2004 US$M	2003 US$M	2002 US$M
Factors affecting tax charge for the financial year			
The tax charged is different to the standard rate of corporation tax in the UK (30%)			
The differences are explained below:			
Profit on ordinary activities before tax	**4 518**	2 925	2 727
Tax on profit at UK rate of 30%	**1 355**	878	818
Permanent differences			
Investment and development allowance	**(85)**	(9)	(10)
Amounts over provided in prior years	**(14)**	(105)	(23)
Recognition of prior year tax losses and tax credits	**(367)**	(188)	(103)
Non-deductible accounting depreciation and amortisation	**49**	76	54
Non-deductible dividends on redeemable preference shares	**8**	8	13
Non tax-effected operating losses	**172**	109	69
Tax rate differential on non-UK income	**(51)**	(18)	(1)
Non tax-effected capital gains	**(5)**	(2)	(12)
Foreign expenditure including exploration not presently deductible	**5**	4	16
South African secondary tax on companies	**5**	16	48
Foreign exchange gains and other translation adjustments	**62**	210	(2)
Tax rate changes	**9**	(1)	59
Investment and asset impairments	**–**	–	32
Introduction of Australian tax consolidation regime [(a)]	**(95)**	–	–
Other	**(6)**	6	32
Total permanent differences	**(313)**	106	172
Deferred tax movements taken to the profit and loss account			
Capital allowances for the financial year more than depreciation	**(452)**	(299)	(176)
Future capital allowances upon introduction of Australian tax consolidation [(a)]	**95**	–	–
Exploration expenditure	**(50)**	53	(114)
Employee entitlements	**49**	58	(29)
Site rehabilitation	**118**	71	4
Resource rent tax	**(7)**	(21)	17
Deferred income	**(25)**	27	–
Other provisions	**(14)**	(12)	(77)
Foreign exchange (gains)/losses	**(86)**	193	(5)
Deferred charges	**(71)**	(2)	(2)
Foreign tax	**445**	(92)	(39)
Tax-effected losses	**281**	39	48
Other	**42**	(130)	155
Total timing differences	**325**	(115)	(218)
Current tax charge for the financial year	**1 367**	869	772
Add/(less) deferred tax movements taken to the profit and loss account	**(325)**	115	218
Tax on profit on ordinary activities	**1 042**	984	990

(a) Refer note 2.

10 Taxation continued

	2004 US$M	2003 US$M
Provision for deferred tax		
Future income tax benefit at year end comprises:		
Accelerated capital allowances	**(172)**	(273)
Exploration expenditure	**80**	122
Employee entitlements	**34**	56
Site rehabilitation	**42**	86
Resource rent tax	**–**	95
Deferred income	**23**	125
Other provisions	**39**	(6)
Foreign exchange losses	**5**	41
Deferred charges	**(178)**	–
Foreign tax credits	**179**	–
Profit in stocks elimination	**18**	2
Other	**52**	(32)
Tax-effected losses	**480**	231
Total future income tax benefit	**602**	447
Provision for deferred tax at year end comprises:		
Accelerated capital allowances	**1 794**	1 280
Exploration expenditure	**(5)**	44
Employee entitlements	**(98)**	(21)
Site rehabilitation	**(329)**	(82)
Resource rent tax	**(111)**	(4)
Deferred income	**(89)**	–
Other provisions	**55**	15
Foreign exchange losses	**(181)**	(230)
Deferred charges	**136**	45
Foreign tax	**–**	219
Other	**82**	150
Tax-effected losses	**(46)**	(3)
Total provision for deferred tax	**1 208**	1 413
Net provision for deferred tax	**606**	966
Provision at start of the financial year	**966**	1 107
Demerger or disposals of subsidiaries	**–**	(213)
Deferred tax (benefits)/charge in profit and loss account for the financial year	**(371)**	70
Exchange differences and other movements	**11**	2
Net provision at end of the financial year	**606**	966
This provision is included within		
Debtors (refer note 17)	**602**	447
Provisions for liabilities and charges (refer note 21)	**(1 208)**	(1 413)
	(606)	(966)

10 Taxation continued

Factors that may affect future tax charges
The BHP Billiton Group operates in many countries across the world, each with separate tax authorities, which results in significant complexity. At any point in time there are tax computations which have been submitted but not agreed by those tax authorities and matters which are under discussion between Group companies and the tax authorities. The Group provides for the amount of tax it expects to pay taking into account those discussions and professional advice it has received. Whilst conclusion of such matters may result in amendments to the original computations, the Group does not believe that such adjustments will have a material adverse effect on its financial position though such adjustments may be significant to any individual year's profit and loss account.

Those countries where tax rates are higher than the UK tax rate of 30 per cent include Canada (approximately 36 per cent), Colombia (37 per cent), Chile (effective rate of 35 per cent), South Africa (effective rate of 37.8 per cent) and the US (35 per cent). Furthermore, petroleum operations in the UK are subject to an additional 10 per cent tax above the ordinary UK tax rate of 30 per cent.

The BHP Billiton Group's subsidiaries generally have tax balances denominated in currencies other than US dollars. Where the subsidiary has a US dollar functional currency, any adjustments on translation of such balances will be taken to the tax charge for the period. The level of such adjustments is dependent upon future movements in exchange rates relative to the US dollar.

As at 30 June 2004, the BHP Billiton Group has not recognised potential tax expense of US$255 million (2003: US$240 million; 2002: US$47 million), which mainly relates to the tax impact of unrealised foreign exchange gains and losses on US dollar net debt held by subsidiaries which maintain local currency records for tax purposes. Under UK GAAP, tax expense will be recognised when such gains and losses are realised for tax purposes.

The BHP Billiton Group anticipates it will continue to incur foreign expenditure including exploration, or incur losses, in jurisdictions which under current accounting policies, the tax-effect of such expenditure or losses may not be recognised. The BHP Billiton Group will continue to incur non-deductible accounting depreciation and amortisation.

The BHP Billiton Group recognises net deferred tax assets, relating to tax losses and timing differences, to the extent that it can reasonably foresee future profits against which to realise those assets. Following continued progress in the BHP Billiton Group's Gulf of Mexico (US) projects, additional tax losses have been recognised in the current year resulting in a reduction in the underlying effective tax rate of approximately 2 per cent (2003: 3 per cent; 2002: nil) when compared to the UK statutory tax rate. If and when the projects reach appropriate milestones that provide greater certainty over projected future profits, further benefits in respect of past losses and timing differences may be recognised. In total, the further benefits would represent 35 per cent of the majority of 'Other foreign losses' shown in the table of the BHP Billiton Group's tax losses not yet tax-effected, and 35 per cent of the majority of total timing differences which have not been tax-effected.

Tax losses and timing differences
At 30 June 2004, the BHP Billiton Group has ordinary tax losses and capital losses of approximately US$2 249 million (2003: US$2 439 million), and timing differences of US$1 586 million (2003: US$945 million) which have not been tax-effected. The BHP Billiton Group anticipates benefits from the recognition of losses and timing differences in future periods to the extent of income or gains in relevant jurisdictions. The tax losses carried forward expire as summarised below:

Year of expiry	Australian losses US$M	UK losses US$M	Other foreign losses US$M	Total losses US$M
Income tax losses				
2005			1	**1**
2007			5	**5**
2008			20	**20**
2009			2	**2**
2010			21	**21**
2011			9	**9**
2012			14	**14**
2013			1	**1**
2019			170	**170**
2020			385	**385**
2021			403	**403**
2022			147	**147**
2023			5	**5**
Unlimited	11	197	139	**347**
	11	197	1 322	**1 530**
Capital tax losses				
Unlimited	701	3	15	**719**
	712	200	1 337	**2 249**

11 Dividends

	2004 US$M	2003 US$M	2002 US$M
BHP Billiton Plc (a)			
Dividends declared (b)	**234**	185	150
Dividends paid			
Ordinary shares	**406**	173	151
Preference shares (c)	**–**	–	–
	640	358	301
BHP Billiton Limited (a)			
Dividends declared (b)	**358**	280	242
Dividends paid	**619**	262	241
	977	542	483
Total dividends paid or payable	**1 617**	900	784

	2004 US cents	2003 US cents	2002 US cents
Dividends per share (a)			
First interim dividend paid	**8.0**	7.0	6.5
Second interim dividend paid	**8.5**	–	–
Final dividend declared (b)	**9.5**	7.5	6.5
	26.0	14.5	13.0

Dividends are stated net of amounts which are not payable outside the BHP Billiton Group under the terms of the share repurchase scheme (refer note 25) and ESOP trusts. BHP Billiton Limited dividends are all fully franked for the periods shown.

(a) BHP Billiton Limited dividends per American Depositary Share (ADS) for 2004 were 52.0 US cents per share (2003: 29.0 US cents per share; 2002: 26.0 US cents per share). BHP Billiton Plc dividends per ADS for 2004 were 52.0 US cents per share. BHP Billiton Plc ADSs listed on the New York Stock Exchange on 25 June 2003. As the listing was subsequent to the record date for the final 2003 dividend, no dividends per BHP Billiton Plc ADS were applicable for the 2003 year or the 2002 year.

(b) On 18 August 2004 BHP Billiton declared a final dividend of 9.5 US cents per share which will be paid on 22 September 2004. The final dividend has been provided for at 30 June 2004. Final dividends for 2003 and 2002 were declared prior to the respective year-ends.

(c) 5.5 per cent dividend on 50 000 preference shares of £1 each (2003: 5.5 per cent; 2002: 5.5 per cent).

12 Earnings per share

	2004	2003	2002
Basic earnings per share (US cents)			
Excluding exceptional items	**56.4**	30.9	32.1
Impact of exceptional items	**(2.1)**	(0.3)	(4.1)
Including exceptional items	**54.3**	30.6	28.0
Diluted earnings per share (US cents)			
Excluding exceptional items	**56.2**	30.9	32.1
Impact of exceptional items	**(2.1)**	(0.3)	(4.1)
Including exceptional items	**54.1**	30.6	28.0
Basic earnings per ADS (US cents) [(a)]			
Including exceptional items	**108.6**	61.2	56.0
Diluted earnings per ADS (US cents) [(a)]			
Including exceptional items	**108.2**	61.2	56.0
Earnings (US$ million) [(b)]			
Excluding exceptional items	**3 510**	1 920	1 934
Including exceptional items	**3 379**	1 901	1 690

(a) For the periods indicated, each ADS represents two ordinary shares.
(b) Represents basic and diluted earnings.

The Directors present earnings per share data based on earnings, excluding exceptional items, as this provides a more meaningful representation of the underlying operating performance of the BHP Billiton Group.

Exceptional items

Details of exceptional items are set out in note 2. The impact of exceptional items on basic and diluted earnings per share is as follows:

	2004 US cents per share	2003 US cents per share	2002 US cents per share
Introduction of tax consolidation regime in Australia	**1.5**	–	–
Litigation settlement	**0.8**	–	–
US and Canadian taxation deductions	**3.8**	–	–
Closure plans	**(8.2)**	–	–
Loss on sale of 6% interest in BHP Steel	**–**	(0.3)	–
Termination of operations	**–**	–	(1.7)
Change in UK tax rate on petroleum operations	**–**	–	(0.9)
Suspension of operations	**–**	–	(0.4)
Merger related restructuring costs	**–**	–	(1.1)
	(2.1)	(0.3)	(4.1)

12 Earnings per share continued

Under the terms of the DLC merger, the rights to dividends of a holder of an ordinary share in BHP Billiton Plc and a holder of an ordinary share in BHP Billiton Limited are identical. Consequently, earnings per share have been calculated on the basis of the aggregate number of ordinary shares ranking for dividend. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the share repurchase scheme and the Group's ESOP trusts.

The weighted average number of shares used for the purpose of calculating diluted earnings per share can be reconciled to the number used to calculate basic earnings per share as follows:

Weighted average number of shares	**2004 Million**	2003 Million	2002 Million
Basic earnings per share denominator	**6 218**	6 207	6 029
Shares and options contingently issuable under employee share ownership plans	**28**	15	13
Diluted earnings per share denominator	**6 246**	6 222	6 042

13 Intangible assets

	Goodwill US$M	Negative goodwill US$M	Total US$M
Cost			
At the beginning and end of the financial year	**55**	**(46)**	**9**
Amortisation			
At the beginning of the financial year	19	(17)	**2**
Amortisation for the financial year	2	(3)	**(1)**
At the end of the financial year	**21**	**(20)**	**1**
Net book value at the end of the financial year	**34**	**(26)**	**8**
Net book value at the beginning of the financial year	36	(29)	7

FINANCIAL STATEMENTS

14 Tangible fixed assets

	Land and buildings US$M	Plant and equipment US$M	Other mineral assets US$M	Assets under construction US$M	Exploration and evaluation US$M	Total US$M
Cost or valuation						
At the beginning of the financial year	2 260	22 803	6 862	3 263	487	**35 675**
Additions	72	358	217	2 133	190	**2 970**
Disposals	(43)	(382)	(64)	–	(7)	**(496)**
Disposals of subsidiaries	(1)	(332)	(20)	(3)	–	**(356)**
Exchange variations	1	184	38	–	–	**223**
Transfers and other movements	336	2 258	16	(2 512)	(166)	**(68)**
At the end of the financial year	**2 625**	**24 889**	**7 049**	**2 881**	**504**	**37 948**
Accumulated depreciation						
At the beginning of the financial year	931	12 182	2 683	–	70	**15 866**
Charge for the year	122	1 308	307	–	15	**1 752**
Impairments for the year	3	46	12	–	52	**113**
Reversals of impairment losses	(16)	(79)	–	–	–	**(95)**
Disposals	(32)	(346)	(63)	–	(7)	**(448)**
Disposals of subsidiaries	–	(259)	(20)	–	–	**(279)**
Exchange variations	–	117	27	–	–	**144**
Transfers and other movements	18	(80)	(10)	–	(4)	**(76)**
At the end of the financial year	**1 026**	**12 889**	**2 936**	**–**	**126**	**16 977**
Net book value at the end of the financial year	**1 599**	**12 000**	**4 113**	**2 881**	**378**	**20 971**
Net book value at the beginning of the financial year	1 329	10 621	4 179	3 263	417	19 809

Included within the net book value of other mineral assets is US$687 million (2003: US$534 million) of deferred overburden removal costs.

Included in the additions for exploration and evaluation is US$170 million (2003: US$100 million) of capitalised exploration expenditure.

Included within plant and equipment at 30 June 2004 are assets held under finance leases with a net book value of US$76 million (2003: US$55 million). Depreciation charged on these assets during the year ended 30 June 2004 totalled US$9 million (2003: US$9 million).

Included within tangible fixed assets at 30 June 2004 is capitalised interest with a net book value of US$401 million (2003: US$310 million).

	Freehold US$M	Long leasehold US$M	Total US$M
The net book value of land and buildings can be analysed as follows:			
At 30 June 2004	**1 595**	**4**	**1 599**
At 30 June 2003	1 323	6	1 329

15 Fixed asset investments

	Investment in joint ventures US$M	Loans to joint ventures[(a)] US$M	Other fixed asset investments[(b)] US$M	Total US$M
At the beginning of the financial year	**1 403**	**293**	**148**	**1 844**
Group share of profits less losses	**223**	**–**	**–**	**223**
Impairments for the year	**–**	**–**	**(3)**	**(3)**
Additions	**25**	**10**	**–**	**35**
Disposals	**(79)**	**(65)**	**–**	**(144)**
Dividends received	**(203)**	**–**	**–**	**(203)**
Other movements	**–**	**–**	**(22)**	**(22)**
At the end of the financial year	**1 369**	**238**	**123**	**1 730**

	In aggregate 2004 US$M	2003 US$M	BHP Billiton Group Share 2004 US$M	2003 US$M
Net assets of joint ventures can be analysed as follows:				
Fixed assets	**5 566**	5 799	**2 096**	2 152
Current assets	**1 749**	1 666	**855**	728
Liabilities due within one year	**(1 019)**	(1 101)	**(576)**	(476)
Liabilities due after more than one year	**(2 604)**	(2 652)	**(1 006)**	(1 001)
Net assets of joint ventures	**3 692**	3 712	**1 369**	1 403

	In aggregate 2004 US$M	2003 US$M	2002 US$M	BHP Billiton Group Share[(c)] 2004 US$M	2003 US$M	2002 US$M
Profits less losses of joint ventures and associates can be analysed as follows:						
Turnover	**4 754**	4 516	4 252	**2 056**	1 898	1 872
Net operating costs	**(3 683)**	(3 666)	(3 442)	**(1 631)**	(1 540)	(1 532)
Operating profit	**1 071**	850	810	**425**	358	340
Profit after net interest and taxation	**583**	400	520	**223**	164	225
Capital commitments				**55**	98	116

(a) Loans to joint ventures include US$225 million (2003: US$275 million) that are in the form of cash on deposit, with the banks having an equivalent amount on loan to the joint venture.

(b) The BHP Billiton Group has subscribed for shares in a number of listed companies in connection with option arrangements on exploration projects. The consideration has been allocated to the option and has generally been expensed in accordance with the BHP Billiton Group's accounting policy on exploration. These investments therefore have a book value of US$nil at 30 June 2004 (2003: US$nil) in the table above and a market value of US$19 million (2003: US$11 million). Other listed investments have a book value of US$68 million (2003: US$70 million) and a market value of US$115 million (2003: US$75 million).

(c) Effective April 2003, the BHP Billiton Group sold its interest in Minera Alumbrera Limited for US$187 million. In 2003 and 2002, the profit less losses of joint ventures and associates included the results relating to the Group's 50 per cent interest in Minera Alumbrera Limited.

16 Stocks

	2004 US$M	2003 US$M
Raw materials and consumables	**460**	356
Work in progress	**409**	384
Finished goods	**891**	639
	1 760	1 379

17 Debtors

	2004 US$M	2003 US$M
Amounts due within one year		
Trade debtors	**2 018**	1 467
less Provision for doubtful debts	**(4)**	(5)
	2 014	1 462
Tax recoverable	**3**	13
Employee Share Plan loans [(a)]	**1**	2
Other debtors [(b)]	**731**	624
less Provision for doubtful debts	**(1)**	(6)
	730	618
Prepayments and accrued income	**176**	129
	2 924	2 224
Amounts due after more than one year		
Deferred tax	**602**	447
Employee Share Plan loans [(a)]	**62**	69
Other debtors [(b)]	**447**	535
Pension assets (refer note 27)	**282**	270
Other prepayments and accrued income	**89**	84
	1 482	1 405
	4 406	3 629

(a) Under the terms of the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent. Interest free employee loans are available to fund the purchase of such shares for a period of up to 20 years repayable by application of dividends or an equivalent amount. Refer note 23.
(b) Other debtors includes receivables from joint venture arrangement cash calls, indirect taxes and other long-term financing and reimbursement arrangements.

18 Current asset investments

	2004 US$M	2003 US$M
Unlisted investments		
Environmental trust funds [(a)]	**153**	104
Insurance investments [(b)]	**14**	39
	167	143

(a) Investments held by the Ingwe and Selbaie Environmental Trust Funds. The future realisation of these investments is intended to fund environmental obligations relating to the closure of Ingwe's and Selbaie's mines. Consequently these investments, whilst under BHP Billiton Group control, are not available for the general purposes of the BHP Billiton Group. All income from these investments is reinvested or spent to meet these obligations. The BHP Billiton Group retains responsibility for these environmental obligations until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under provisions for liabilities and charges (refer note 21).

(b) Investments relating to the BHP Billiton Group's self insurance arrangements. These investments are held for the benefit of the BHP Billiton Group but are not available for the general purposes of the BHP Billiton Group.

19 Creditors – amounts falling due within one year

	2004 US$M	2003 US$M
Bank overdrafts	**133**	21
Unsecured bank loans (current portion of long-term loans)	**252**	230
Unsecured bank loans (other short-term loans)	**–**	371
Total current portion of bank loans and overdrafts	**385**	622
Notes and debentures	**306**	150
Secured debt (limited recourse) (refer note 20)	**51**	28
Unsecured debt (non-recourse)	**264**	44
Secured debt (non-recourse)	**97**	34
Commercial paper [(a)]	**–**	138
Finance leases	**9**	4
Other unsecured borrowings	**22**	16
Total current portion of debentures and other borrowings	**749**	414
Total borrowings falling due within one year	**1 134**	1 036
Trade creditors	**1 688**	1 338
Corporation taxes	**297**	322
Social security	**1**	1
Other taxes	**132**	96
Other creditors and accruals	**935**	832
Deferred income	**156**	114
Dividends payable	**592**	468
	4 935	4 207

(a) In accordance with FRS 4 'Capital Instruments', all commercial paper is classified as short-term borrowings though it is backed by medium-term facilities. Under US GAAP, this amount was grouped with non-current borrowings at 30 June 2003.

20 Creditors – amounts falling due after more than one year

	2004 US$M	2003 US$M
Unsecured bank loans	**55**	97
Total non-current portion of bank loans	**55**	97
Notes and debentures	**3 653**	4 145
Secured debt (limited recourse) [(a)]	**435**	478
Unsecured debt (non-recourse)	**545**	754
Secured debt (non-recourse)	**–**	74
Redeemable preference shares [(b)]	**450**	450
Finance leases	**67**	49
Other unsecured borrowings	**248**	241
Total non-current portion of debentures and other borrowings	**5 398**	6 191
Total borrowings falling due after more than one year	**5 453**	6 288
Trade creditors	**1**	14
Other creditors	**175**	181
Corporation taxes	**10**	21
Deferred income	**348**	345
	5 987	6 849

(a) The limited recourse secured debt relates to the Mozal joint arrangement. The debt is secured by a charge over the assets of this joint arrangement and the lender has recourse to only those assets in the event of default. The BHP Billiton Group's share of these obligations is guaranteed by BHP Billiton Plc until such time as the project reaches financial completion.

(b) Redeemable preference shares include the following:

BHP Operations Inc: Preferred stock

Auction market preferred stock

600 (2003: 600) shares issued at US$250 000 each, fully paid preferred stock; cumulative, non-participating, dividend reset on a regular basis reflecting prevailing US market rates; not entitled to any earnings growth or capital appreciation of the issuer. Redeemable at the option of the issuer on any dividend payment date or, if redeemed in full, on any business day. Guaranteed by other BHP Billiton Group companies.

Cumulative preferred stock series 'A'

3 000 (2003: 3 000) shares issued at US$100 000 each, fixed at 6.76 per cent per annum, fully paid and not entitled to any earnings growth or capital appreciation of the issuer. Subject to mandatory redemption on 27 February 2006. Dividends are cumulative and are calculated on the basis of a year of twelve 30 day months. Guaranteed by other BHP Billiton Group companies.

	Repayable	Currency	Interest rate %	2004 US$M	2003 US$M
Debt falling due after 5 years is analysed as follows:					
US$ Bond issue	2012 – 2026	US$	7.0% fixed	**1 073**	1 073
Global Bond	2013	US$	LIBOR+0.47%	**850**	850
Escondida	2009 – 2013	US$	8.3% fixed	**27**	29
Escondida	2011	US$	LIBOR+0.50%	**134**	157
Manganese shareholder loan	2030	US$	LIBOR+2.25%	**82**	82
Richards Bay Coal Terminal loan	2015	ZAR	interest free	**34**	31
Eskom loan	2013	ZAR	12.8% fixed	**44**	40
Mozal – Senior loans	2012 – 2014	US$	6–7% fixed	**94**	121
Mozal – Senior loans	2012	US$	LIBOR+2.4%	**80**	95
Mozal – Subordinated loan	2012	US$	7.96% fixed	**34**	46
Magma long-term borrowing	2009 – 2011	US$	LIBOR	**–**	50
Medium-term notes	2008	US$	LIBOR+0.78%	**–**	391
Other	various	various	various	**37**	19
				2 489	2 984

21 Provisions for liabilities and charges

	Employee entitlements (Restated)[a] US$M	Restructuring[b] US$M	Resource rent tax US$M	Restoration and rehabilitation[c] US$M	Post-retirement benefits[d] (note 27) US$M	Deferred tax US$M	Other US$M	Total US$M
At 1 July 2003	**547**	**57**	**241**	**2 025**	**317**	**1 413**	**298**	**4 898**
Amounts capitalised	**–**	**–**	**–**	**103**	**–**	**–**	**–**	**103**
Disposals of subsidiaries	**–**	**–**	**–**	**(57)**	**–**	**–**	**–**	**(57)**
Charge/(credit) for the year:								
Underlying	**370**	**2**	**24**	**691**	**40**	**(217)**	**137**	**1 047**
Discounting	**2**	**–**	**–**	**100**	**–**	**–**	**–**	**102**
Exchange variation	**19**	**–**	**6**	**–**	**22**	**–**	**7**	**54**
Released during the year	**–**	**(31)**	**–**	**–**	**–**	**–**	**(28)**	**(59)**
Exchange variation taken to reserves	**–**	**–**	**4**	**12**	**–**	**12**	**–**	**28**
Utilisation	**(311)**	**(15)**	**(1)**	**(82)**	**(48)**	**–**	**(104)**	**(561)**
Transfers and other movements	**(5)**	**(2)**	**1**	**(9)**	**4**	**–**	**14**	**3**
At 30 June 2004	**622**	**11**	**275**	**2 783**	**335**	**1 208**	**324**	**5 558**
At 1 July 2002	624	125	214	1 613	215	1 587	259	4 637
Amounts capitalised	–	–	–	325	–	–	–	325
Demerger or disposals of subsidiaries	(183)	(1)	–	(1)	–	(237)	(34)	(456)
Charge/(credit) for the year:								
Underlying	344	4	(3)	37	50	54	36	522
Discounting	3	–	–	94	–	–	–	97
Exchange variation	47	5	29	–	22	–	35	138
Exchange variation taken to reserves	1	–	3	15	–	17	1	37
Utilisation	(257)	(28)	–	(84)	(29)	–	(23)	(421)
Transfers and other movements	(32)	(48)	(2)	26	59	(8)	24	19
At 30 June 2003	547	57	241	2 025	317	1 413	298	4 898

(a) The provision for employee entitlements includes applicable amounts for annual leave and associated on-costs. It is anticipated expenditure of approximately US$340 million will be incurred in the year ending 30 June 2005. Comparatives have been restated to reflect the accounting policy change in respect of employee share awards. Refer to Accounting Policies.

(b) Total provision for restructuring costs is made up of:

	2004 US$M	2003 US$M
Remediation and site rehabilitation	**–**	10
Redundancies	**10**	22
Business terminations (including contract cancellations)	**1**	25
	11	57

(c) The Group's activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, the Group has a policy of ensuring that reclamation is planned and financed from the early stages of any operation. Provision is made for the reclamation of the BHP Billiton Group's mining and processing facilities along with the decommissioning of oil platforms and infrastructure associated with petroleum activities. The estimation of the cost of future reclamation and decommissioning activities is subject to potentially significant uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination, and the timing and extent of reclamation and decommissioning activities required. Accordingly, whilst the provisions at 30 June 2004 represent the best estimate of the future costs required, these uncertainties are likely to result in future actual expenditure differing from the amounts provided at this time.

These reclamation and decommissioning expenditures are mostly expected to be paid over the next 30 years. The provisions for reclamation and decommissioning are derived by discounting the expected expenditures to their net present value. The estimated total site rehabilitation cost (undiscounted and in today's dollars) to be incurred in the future arising from operations to date, and including amounts already provided for, is US$5 402 million (2003: US$3 391 million).

At 30 June 2004, US$1 702 million (2003: US$1 622 million) was provided for reclamation and decommissioning costs relating to operating sites in the provision for site rehabilitation. In addition, the Group has certain obligations associated with maintaining and/or remediating closed sites. At 30 June 2004, US$1 081 million (2003: US$403 million, excluding US$10 million held in the restructuring provision) was provided for closed sites. Adjustments to the provisions in relation to these closed sites are recognised in the profit and loss

21 Provisions for liabilities and charges continued

account during the period in which the adjustments are made. In addition to the uncertainties noted above, certain of these activities are subject to legal dispute and depending on the ultimate resolution of these matters the final liability could vary. The amounts provided in relation to closed sites are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly. The Group believes that it is reasonably possible that, due to the nature of the closed site liabilities and the degree of uncertainty which surrounds them, these liabilities could be in the order of 35 per cent (2003: 50 per cent) greater or in the order of 20 per cent lower than the US$1 081 million provided at year end. The main closed site to which this total amount relates is Southwest Copper in the US and this is described in further detail below, together with a brief description of other closed sites.

Southwest Copper, Arizona, US

In 1999, the Group announced the cessation of Southwest Copper operations, and the facilities were effectively placed on a care and maintenance basis, pending evaluation of various alternative strategies to realise maximum value from the respective assets. The assets comprised several mining and smelting operations and associated facilities, much of which had been operating for many years prior to the Group acquiring the Southwest Copper operations in 1996. In January 2002, the Group announced the closure of the San Manuel mining facilities, and in October 2003 the closure of the San Manuel plant facilities was announced. The closure of these facilities, together with certain other reclamation and decommissioning activities, were progressed during the years ended 30 June 2003 and 2004. For certain sites, the development of closure plans is well progressed, however, at other sites the necessary site characterisation and engineering work is at an early stage.

A comprehensive review of the closure plans for Southwest Copper was undertaken, following the refocusing of the Group's direction during the period towards an accelerated closure strategy. This followed exhaustion of the alternative strategies referred to above, and resulted in a shortened timeframe to closure for some of the facilities. Actions during the year resulting from the review included the announcement of the closure of the San Manuel plant facilities in October 2003, and the divestment and farm-out of certain assets and liabilities during the period, such as the Robinson copper/gold mining operation and the Resolution copper exploration prospect. As a consequence of detailed site-specific risk assessments conducted during the period, the review also indicated (a) higher short-term closure costs, due to changes in the nature of closure work required in relation to certain facilities, particularly tailings dams and waste and leach dumps; (b) a need for costs, such as water management and environmental monitoring, to continue for a longer period; and (c) an increase in the residual value of certain assets (refer note 2).

Despite the work carried out during the current period, uncertainty remains over the extent and costs of the required short-term closure activities, the extent, cost and timing of post-closure monitoring and longer-term water management. The Group anticipates that future changes in the closure provisions for Southwest Copper may be required as the necessary site characterisation and engineering work is progressed. The closure provisions for Southwest Copper (including amounts in relation to Pinal Creek, which is described in more detail below) total US$771 million at 30 June 2004 (2003: US$297 million).

In relation to Pinal Creek, BHP Copper Inc ('BHP Copper') is involved in litigation concerning groundwater contamination resulting from historic mining operations near the Pinal Creek/Miami Wash area located in the State of Arizona.

On 2 April 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. On 22 September 2000, the Court-approved settlement reached between the parties for a non-material amount, and the terms of the settlement are now being implemented as a monitoring program.

A State consent decree ('the Decree') was approved by the Federal District Court for the District of Arizona in August 1998. The Decree authorises and requires groundwater remediation and facility-specific source control activities, and the members of the Pinal Creek Group (which consists of BHP Copper, Phelps Dodge Miami Inc and Inspiration Consolidated Copper Co) are jointly liable for performing the non-facility specific source control activities. Such activities are currently ongoing. As of 30 June 2004 the Group has provided US$102 million (30 June 2003: US$22 million) for its anticipated share of the planned remediation work, based on a range reasonably foreseeable up to US$138 million (30 June 2003: US$43 million), and the Group has paid out US$38 million up to 30 June 2004. These amounts are based on the provisional equal allocation of these costs among the three members of the Pinal Creek Group. BHP Copper is seeking a judicial restatement of the allocation formula to reduce its share, based upon its belief, supported by relevant external legal and technical advice, that its property has contributed a smaller share of the contamination than the other parties' properties. BHP Copper is contingently liable for the whole of these costs in the event that the other parties are unable to pay.

BHP Copper and the other members of the Pinal Creek Group filed a contribution action in November 1991 in the Federal District Court for the District of Arizona against former owners and operators of the properties alleged to have caused the contamination. The claim is for an undetermined amount but under current state and federal laws applicable to the case, BHP Copper should recover a significant percentage of the total remediation costs from the Defendants, based upon their operations' proportionate contributions to the total contamination in the Pinal Creek drainage basin. Such action seeks recovery from these historical owners and operators for remediation and source control costs. BHP Copper's predecessors in interest have asserted a counterclaim in this action seeking indemnity from BHP Copper based upon their interpretation of the historical transaction documents relating to the succession in interest of the parties. BHP Copper has also filed suit against a number of insurance carriers seeking to recover under various insurance policies for remediation, response, source control, and other costs noted above incurred by BHP Copper. The reasonable assessment of recovery in the various insurances cases has a range from US$4 million to approximately US$15 million, depending on many factors. Neither insurance recoveries nor other claims or offsets have been recognised in the financial statements and will not be recognised until such offsets are considered virtually certain of realisation.

Other Closed Sites

The closure provisions for other closed sites total US$310 million at 30 June 2004 (2003: US$106 million). The key sites covered by this amount are described briefly below:

- *Newcastle Steelworks* – the Group closed its Newcastle Steelworks in 1999 and retains responsibility for certain sediment in the Hunter River adjacent the former steelworks site, together with certain other site remediation activities in the Newcastle area.
- *Island Copper mine* – the Group ceased operations at its Island Copper mine in December 1995 and has responsibility for various site reclamation activities, including the long-term treatment of the pit lake and water management.
- *Selbaie copper mine* – the Group closed its Selbaie copper mine in January 2004 and has responsibility for site reclamation and remediation activities.
- *Rio Algom* – the Group has responsibility for long-term remediation costs for various mines and processing facilities in Canada and the US operated by Rio Algom Ltd prior to its acquisition by the former Billiton Plc in October 2000.

Closure provisions for other closed sites have been increased in the current period mainly due to refinements of closure plans at the Island Copper mine, Newcastle Steelworks, the Selbaie copper mine and several other smaller sites (refer note 2), and also the classification of Selbaie as a closed site (classified as operating at 30 June 2003). These increases resulted from a number of causes, including: (a) a reassessment during the period of an original pit lake water treatment process which requires additional treatment for a longer period; (b) a comprehensive environmental assessment completed during the period as a consequence of a change in approach relating to the remediation of river sediment; and, (c) development of detailed closure plans, including site characterisation, in relation to sites which closed during the last two years where closure activities have now commenced.

(d) The provision for post-retirement benefits comprises pension liabilities of US$62 million (2003: US$65 million), and post-retirement medical benefit liabilities of US$273 million (2003: US$252 million).

FINANCIAL STATEMENTS

22 Called up share capital and contributed equity

	2004 US$M	2003 US$M	2002 US$M
BHP Billiton Plc			
Authorised share capital			
3 000 000 000 ordinary shares of US$0.50 each (2003: 3 000 000 000; 2002: 3 000 000 000)	**1 500**	1 500	1 500
50 000 (2003: 50 000; 2002: 50 000) 5.5% preference shares of £1 each (a)	**–**	–	–
1 Special Voting Share (2003: 1; 2002: 1) of US$0.50 (b)	**–**	–	–
1 Equalisation Share (2003: 1; 2002: 1) of US$0.50 (c)	**–**	–	–
	1 500	1 500	1 500
Allotted, called up and fully paid share capital			
2 468 147 002 ordinary shares of US$0.50 each (2003: 2 468 147 002; 2002: 2 319 147 885)	**1 234**	1 234	1 160
50 000 (2003: 50 000; 2002: 50 000) 5.5% preference shares of £1 each (a)	**–**	–	–
1 Special Voting Share (2003: 1; 2002: 1) of US$0.50 (b)	**–**	–	–
	1 234	1 234	1 160

	Number of shares		
	2004	2003	2002
Movements in called up fully paid ordinary shares (d)			
Opening number of shares	**2 468 147 002**	2 319 147 885	2 319 147 885
Bonus shares issued (e)	–	148 999 117	–
Closing number of shares	**2 468 147 002**	2 468 147 002	2 319 147 885

	2004 US$M	2003 US$M	2002 US$M
BHP Billiton Limited			
Paid up contributed equity (f)			
3 759 487 555 ordinary shares fully paid (2003: 3 747 687 775; 2002: 3 724 893 687)	**1 851**	1 785	3 143
Nil ordinary shares paid to A$1.40 (2003: 240 000; 2002: 320 000) (g)	**–**	–	–
405 000 ordinary shares paid to A$1.36 (2003: 1 095 000; 2002: 2 305 000) (g)	**–**	–	–
1 Special Voting Share (2003: 1; 2002: 1) (b)	**–**	–	–
	1 851	1 785	3 143

22 Called up share capital and contributed equity continued

	Number of shares 2004	2003	2002
Movements in fully paid ordinary shares			
Opening number of shares	**3 747 687 775**	3 724 893 687	3 704 256 885
Shares issued on exercise of Employee Share Plan options (h)	**10 764 732**	20 165 784	22 955 508
Shares issued on exercise of Performance Rights (h)	**–**	918 120	–
Partly paid shares converted to fully paid (g)	**1 035 048**	1 710 184	1 815 916
Shares bought back and cancelled (i)	**–**	–	(4 134 622)
Closing number of shares (j)	**3 759 487 555**	3 747 687 775	3 724 893 687

(a) Preference shares have the right to repayment of the amount paid up on the nominal value and any unpaid dividends in priority to the holders of any other class of shares in BHP Billiton Plc on a return of capital or winding up. The holders of preference shares have limited voting rights if payment of the preference dividends are six months or more in arrears or a resolution is passed changing the rights of the preference shareholders. Since the merger these shares have been beneficially held by J.P. Morgan plc.

(b) BHP Billiton Plc and BHP Billiton Limited each issued one Special Voting Share to facilitate joint voting by shareholders of BHP Billiton Plc and BHP Billiton Limited on Joint Electorate Actions.

(c) An Equalisation Share has been authorised to be issued to enable a distribution to be made by BHP Billiton Plc to the BHP Billiton Limited Group should this be required under the terms of the DLC merger. The Directors have the ability to issue the Equalisation Share if required under those terms. The Constitution of BHP Billiton Limited allows the Directors of that Company to issue a similar Equalisation Share.

(d) During the year ended 30 June 2004, BHP Billiton Plc did not repurchase any shares under the authorisation granted by its shareholders. The shareholders authorised the Company to enter into contracts to purchase up to 247 million BHP Billiton Plc shares until the end of the Annual General Meeting in 2004.

(e) Upon the demerger of BHP Steel in July 2002, bonus shares of BHP Billiton Plc were issued to BHP Billiton Plc shareholders to reflect the value distributed to shareholders of BHP Billiton Limited as a result of the demerger (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held).

(f) Under the Australian Corporations Act 2001, BHP Billiton Limited's share capital has no par value. Total capital subscribed by shareholders less capital returned to shareholders is included in Shareholders' Funds as Contributed equity. Contributed equity decreased by US$1 456 million in 2003 due to the demerger of BHP Steel in July 2002. This reflected a capital reduction of A$0.69 per share. The demerger resulted in BHP Billiton Limited shareholders being issued one BHP Steel Limited share for every five BHP Billiton Limited shares held.

(g) 240 000 (2003: 80 000; 2002: 65 000) shares paid to A$1.40 and 690 000 (2003: 1 210 000; 2002: 1 351 500) shares paid to A$1.36 were converted to fully paid during 2004. There were no partly paid shares issued during the year (2003: nil; 2002: nil). Including bonus shares, 1 035 048 (2003: 1 710 184; 2002: 1 815 916) shares were issued on conversion of these partly paid shares. 190 000 (2003: 282 000; 2002: 650 000) partly paid shares are entitled to 216 936 (2003: 321 984: 2002: 692 315) bonus shares on becoming fully paid. As a consequence of the BHP Steel demerger, an interim call of A$0.69 per share was made on partly paid shares and the capital reduction amount was applied to meet this call.

(h) The number of shares issued on exercise of options and Performance Rights after 7 July 2001 includes bonus shares.

(i) During the years ended 30 June 2003 and 30 June 2004, BHP Billiton Limited did not repurchase any shares in accordance with its announced share buy-back program. During the year ended 30 June 2002, BHP Billiton Limited repurchased 4 134 622 shares at a weighted average price of A$8.83 per share. The buy-back program allows for the purchase of up to 186 million BHP Billiton Limited shares (adjusted for the bonus issue), less the number of BHP Billiton Plc shares purchased on-market by Nelson Investment Limited or BHP Billiton Plc.

(j) During the period 1 July 2004 to 1 September 2004, 125 000 Executive Share Scheme partly paid shares were paid up in full, 1 163 361 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan options, 116 272 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Performance Share Plan Performance Rights and 192 628 fully paid ordinary shares were issued on the exercise of Group Incentive Scheme awards.

FINANCIAL STATEMENTS

23 Employee share ownership plans

Summary of BHP Billiton Group employee share ownership plans
The following table is a summary of the awards made under the employee share ownership plans of BHP Billiton Plc and BHP Billiton Limited.

The subsequent tables and associated footnotes provide more information in relation to that contained in the summary table.

The details of the plans, including comparatives, are presented including, where applicable, a bonus element to which the participant became entitled as a result of the DLC merger on 29 June 2001 and the BHP Steel Limited demerger on 1 July 2002.

	Number of awards outstanding at 30 June 2004	Number of awards issued during year ended 30 June 2004
BHP Billiton Plc employee share awards		
Group Incentive Scheme (Deferred Shares)	**1 310 131**	**1 397 818**
Group Incentive Scheme (Options)	**855 044**	**918 054**
Group Incentive Scheme (Performance Shares)	**4 833 951**	**1 649 448**
Restricted Share Scheme	**4 076 894**	**–**
Co-Investment Plan	**539 984**	**–**
BHP Billiton Limited employee share awards		
Group Incentive Scheme (Deferred Shares)	**2 884 289**	**3 001 722**
Group Incentive Scheme (Options)	**1 309 448**	**1 338 814**
Group Incentive Scheme (Performance Shares)	**10 136 908**	**3 353 538**
Employee Share Plan (shares)	**18 660 656**	**–**
Employee Share Plan (options)	**24 309 476**	**–**
Executive Share Scheme (partly paid shares)	**621 936**	**–**
Performance Share Plan (LTI)	**5 031 632**	**–**
Performance Share Plan (MTI)	**212 395**	**–**
Bonus Equity Share Plan (shares)	**818 746**	**–**

The following tables relate to awards issued under each of these schemes:

	Restricted Share Scheme awards (a)			Co-Investment Plan awards (a)		
	2004	2003	2002	**2004**	2003	2002
Number of awards issued since the DLC merger (b)	**5 657 555**	5 657 555	5 657 555	**1 023 425**	1 023 425	1 023 425
During the financial year						
Number of awards remaining at the beginning of the financial year	**4 608 382**	5 351 690	–	**837 450**	1 000 399	–
Number of awards issued	**–**	–	5 657 555	**–**	–	1 023 425
Number of awards exercised	**(167 230)**	(426 604)	(56 568)	**(102 656)**	(45 415)	(6 525)
Number of awards lapsed	**(364 258)**	(316 704)	(249 297)	**(194 810)**	(117 534)	(16 501)
Number of awards remaining at the end of the financial year	**4 076 894**	4 608 382	5 351 690	**539 984**	837 450	1 000 399
Exercisable	**–**	–	–	**–**	–	–
Not exercisable	**4 076 894**	4 608 382	5 351 690	**539 984**	837 450	1 000 399
Number of employees participating in awards issued	**–**	–	239	**–**	–	126
Market value of awards issued (US$ million) (c)	**–**	–	–	**–**	–	–
Proceeds from awards issued (US$ million)	**–**	–	–	**–**	–	–
Number of employees exercising awards	**10**	22	8	**27**	10	2
Market value of shares on exercise of awards (US$ million)	**1**	2	–	**–**	–	–

23 Employee share ownership plans continued

	Group Incentive Scheme Deferred Shares (BHP Billiton Plc) [(a)]			Group Incentive Scheme Deferred Shares (BHP Billiton Limited) [(a)]		
	2004	2003	2002	**2004**	2003	2002
Number of awards issued since commencement of the Plan	**1 397 818**			**3 001 722**		
During the financial year						
Number of awards at the beginning of the financial year	**–**			**–**		
Number of awards issued	**1 397 818**			**3 001 722**		
Number of awards exercised	**(11 610)**			**(30 884)**		
Number of awards lapsed	**(76 077)**			**(86 549)**		
Number of awards remaining at the end of the financial year	**1 310 131**			**2 884 289**		
Exercisable	**–**			**–**		
Not exercisable	**1 310 131**			**2 884 289**		
Number of employees participating in awards issued	**200**			**391**		
Market value of awards issued (US$ million) [(c)]	**–**			**–**		
Proceeds from awards issued (US$ million)	**–**			**–**		
Number of employees exercising awards	**2**			**6**		
Market value of shares on exercise of awards (US$ million)	**–**			**–**		

	Group Incentive Scheme Options (BHP Billiton Plc) [(a)]			Group Incentive Scheme Options (BHP Billiton Limited) [(a)]		
	2004	2003	2002	**2004**	2003	2002
Number of awards issued since commencement of the Plan	**918 054**			**1 338 814**		
During the financial year						
Number of awards at the beginning of the financial year	**–**			**–**		
Number of awards issued	**918 054**			**1 338 814**		
Number of awards exercised	**(21 241)**			**–**		
Number of awards lapsed	**(41 769)**			**(29 366)**		
Number of awards remaining at the end of the financial year	**855 044**			**1 309 448**		
Exercisable	**–**			**–**		
Not exercisable	**855 044**			**1 309 448**		
Number of employees participating in awards issued	**81**			**104**		
Market value of awards issued (US$ million) [(c)]	**–**			**–**		
Proceeds from awards issued (US$ million)	**–**			**–**		
Number of employees exercising awards	**–**			**–**		
Market value of shares on exercise of awards (US$ million)	**–**			**–**		

23 Employee share ownership plans continued

	Group Incentive Scheme Performance Shares (BHP Billiton Plc) (a)			Group Incentive Scheme Performance Shares (BHP Billiton Limited) (a)		
	2004	2003	2002	**2004**	2003	2002
Number of awards issued since commencement of the Plan	**5 616 216**	3 966 768		**10 863 781**	7 510 243	
During the financial year						
Number of awards remaining at the beginning of the financial year	**3 634 251**	–		**7 313 516**	–	
Number of awards issued	**1 649 448**	3 966 768		**3 353 538**	7 510 243	
Number of awards exercised	**(84 041)**	–		**(157 429)**	–	
Number of awards lapsed	**(365 707)**	(332 517)		**(372 717)**	(196 727)	
Number of awards remaining at the end of the financial year	**4 833 951**	3 634 251		**10 136 908**	7 313 516	
Exercisable	**–**	–		**–**	–	
Not exercisable	**4 833 951**	3 634 251		**10 136 908**	7 313 516	
Number of employees participating in awards issued	**218**	221		**409**	424	
Market value of awards issued (US$ million) (c)	**–**	–		**–**	–	
Proceeds from awards issued (US$ million)	**–**	–		**–**	–	
Number of employees exercising awards	**6**	–		**12**	–	
Market value of shares on exercise of awards (US$ million)	**1**	–		**1**	–	

	Employee Share Plan Options (a)			Weighted Average Exercise Price (A$)		
	2004	2003	2002	**2004**	2003	2002
Number of awards issued since commencement of the Plan	**178 032 575**	178 032 575	177 965 075			
During the financial year						
Number of awards remaining at the beginning of the financial year	**37 571 802**	60 994 303	74 588 800	**7.81**	8.29	7.92
Number of awards issued	**–**	67 500	14 077 500	**–**	8.95	8.98
Number of awards exercised	**(10 764 732)**	(20 165 784)	(22 955 508)	**7.48**	7.25	7.66
Number of awards lapsed	**(2 497 594)**	(3 324 217)	(4 716 489)	**8.04**	7.53	7.78
Number of awards remaining at the end of the financial year	**24 309 476**	37 571 802	60 994 303	**7.94**	7.81	8.29
Exercisable	**13 679 357**	15 899 927	32 297 444	**7.66**	7.03	7.62
Not exercisable	**10 630 119**	21 671 875	28 696 859	**8.30**	8.38	9.04
Number of employees participating in awards issued	**–**	1	266			
Market value of awards issued (US$ million) (c)	**–**	–	–			
Proceeds from awards issued (US$ million)	**–**	–	–			
Number of employees exercising awards	**1 683**	9 857	12 081			
Market value of shares on exercise of awards (US$ million)	**88**	121	132			
Proceeds from exercise of options (US$ million)	**57**	83	94			

23 Employee share ownership plans continued

	Employee Share Plan Shares (a)			Executive Share Scheme Partly Paid Shares (a)		
	2004	2003	2002	**2004**	2003	2002
Number of awards issued since commencement of the Plan	**373 745 102**	373 745 102	373 745 102	**50 529 280**	50 529 280	50 529 280
During the financial year						
Number of awards remaining at the beginning of the financial year	**20 508 095**	45 827 460	62 781 518	**1 656 984**	3 367 168	5 183 084
Number of awards issued	**–**	–	–	**–**	–	–
Number of awards exercised	**(1 847 439)**	(25 319 365)	(16 954 058)	**(1 035 048)**	(1 710 184)	(1 815 916)
Number of awards lapsed	**–**	–	–	**–**	–	–
Number of awards remaining at the end of the financial year	**18 660 656**	20 508 095	45 827 460	**621 936**	1 656 984	3 367 168
Exercisable	**18 660 656**	20 508 095	45 827 460	**621 936**	1 656 984	3 367 168
Not exercisable	**–**	–	–	**–**	–	–
Number of employees participating in awards issued				**–**	–	–
Market value of awards issued (US$ million) (c)				**–**	–	–
Proceeds from awards issued (US$ million)				**–**	–	–
Number of employees exercising awards				**4**	11	14
Market value of shares on exercise of awards (US$ million)				**9**	7	8
Employee Share Plan Loans outstanding (US$ million)	**63**	71	135			
Proceeds from conversion of partly paid shares (US$ million)				**9**	10	10

	Performance Share Plan Performance Rights (a)			Bonus Equity Share Plan Shares (a)		
	2004	2003	2002	**2004**	2003	2002
Number of awards issued since commencement of the Plan	**12 679 547**	12 679 547	12 679 547	**1 016 845**	1 016 845	1 016 845
During the financial year						
Number of awards remaining at the beginning of the financial year	**8 163 616**	10 293 469	6 234 311	**856 345**	1 016 845	–
Number of awards issued	**–**	–	5 527 117	**–**	–	1 016 845
Number of awards exercised	**(2 712 371)**	(1 901 694)	(1 235 794)	**(34 573)**	(135 945)	–
Number of awards lapsed	**(207 218)**	(228 159)	(232 165)	**(3 026)**	(24 555)	–
Number of awards remaining at the end of the financial year	**5 244 027**	8 163 616	10 293 469	**818 746**	856 345	1 016 845
Exercisable	**716 120**	–	57 384	**–**	–	–
Not exercisable	**4 527 907**	8 163 616	10 236 085	**818 746**	856 345	1 016 845
Number of employees participating in awards issued	**–**	–	118	**–**	–	117
Market value of awards issued (US$ million) (c)	**–**	–	–	**–**	–	–
Proceeds from awards issued (US$ million)	**–**	–	–	**–**	–	–
Number of employees exercising awards	**172**	22	21	**9**	26	–
Market value of shares on exercise of awards (US$ million)	**21**	8	6	**–**	1	–

23 Employee share ownership plans continued

Month of issue	Number issued	Number of recipients	Number exercised	Number lapsed	Awards outstanding at: Balance date	Date of Directors' Report	Exercise price	Exercise period/ release date
Restricted Share Scheme (d)								
November 2001 (Share awards)	292 577	1	–	169 359	123 218	123 218	–	Nov 2004
October 2001 (Share awards)	4 446 532	147	487 855	675 051	3 283 626	3 193 058	–	Nov 2004
October 2001 (Options)	918 446	32	162 547	85 849	670 050	657 385	–	Oct 2004 – Sept 2008
					4 076 894	**3 973 661**		
Co-Investment Plan (d)								
November 2001	100 945	–	23 131	77 814	–	–	–	Nov 2003 – April 2006
October 2001	922 480	83	131 465	251 031	539 984	532 440	–	Oct 2003 – March 2006
					539 984	**532 440**		
Group Incentive Scheme (BHP Billiton Plc)								
Deferred Shares								
November 2003	1 397 818	194	11 610	76 077	1 310 131	1 271 862	–	Aug 2005 – Aug 2008
Options								
November 2003	918 054	78	21 241	41 769	855 044	855 044	£4.43	Aug 2005 – Aug 2008
Performance Shares								
November 2003	1 649 448	210	16 786	86 865	1 545 797	1 492 493	–	Aug 2006 – Aug 2009
November 2002	3 966 768	209	67 255	611 359	3 288 154	3 174 546	–	Aug 2005 – Aug 2008
					6 999 126	**6 793 945**		
Group Incentive Scheme (BHP Billiton Limited)								
Deferred Shares								
November 2003	3 001 722	391	30 884	86 549	2 884 289	2 802 857	–	Aug 2005 – Aug 2008
Options								
November 2003	1 338 814	104	–	29 366	1 309 448	1 307 038	A$11.11	Aug 2005 – Aug 2008
Performance Shares								
November 2003	3 353 538	409	37 309	103 226	3 213 003	3 130 937	–	Aug 2006 – Aug 2009
November 2002	7 510 243	425	120 120	466 218	6 923 905	6 715 523	–	Aug 2005 – Aug 2008
					14 330 645	**13 956 355**		

23 Employee share ownership plans continued

Month of issue	Number issued	Number of recipients	Number exercised	Number lapsed	Awards outstanding at: Balance date	Date of Directors' Report	Exercise price	Exercise period/ release date
Employee Share Plan Options								
September 2002	67 500	1	–	–	67 500	67 500	A$8.95	Oct 2004 – Sept 2011
November 2001	6 870 500	113	726 716	859 384	5 284 400	5 284 400	A$8.30	Oct 2004 – Sept 2011
November 2001	7 207 000	153	1 147 273	781 508	5 278 219	5 040 600	A$8.29	Oct 2004 – Sept 2011
December 2000	3 444 587	67	1 059 555	438 386	1 946 646	1 818 610	A$8.72	July 2003 – Dec 2010
December 2000	2 316 010	59	826 391	274 566	1 215 053	1 121 349	A$8.71	July 2003 – Dec 2010
November 2000	1 719 196	44	591 191	539 451	588 554	571 516	A$8.28	July 2003 – Oct 2010
November 2000	7 764 776	197	4 779 058	827 792	2 157 926	2 015 176	A$8.27	July 2003 – Oct 2010
April 2000	61 953	3	20 651	–	41 302	41 302	A$7.60	April 2003 – April 2010
April 2000	937 555	5	38 721	138 361	760 473	760 473	A$7.60	April 2003 – April 2010
December 1999	413 020	1	413 020	–	–	–	A$8.61	April 2002 – April 2009
December 1999	309 765	1	309 765	–	–	–	A$7.50	April 2002 – April 2009
October 1999	105 320	3	14 456	30 976	59 888	59 888	A$7.57	April 2002 – April 2009
July 1999	206 510	1	–	–	206 510	–	A$7.60	April 2002 – April 2009
April 1999	44 474 820	45 595	18 371 130	21 299 028	4 804 662	4 644 148	A$6.92	April 2002 – April 2009
April 1999	16 901 398	944	8 667 018	6 336 037	1 898 343	1 684 605	A$6.92	April 2002 – April 2009
					24 309 476	**23 109 567**		
Performance Share Plan Performance Rights (d)								
November 2001 (LTI)	5 114 298	110	581 537	434 719	4 098 042	3 864 131	–	Oct 2004 – Sept 2011
October 2001 (LTI)	173 879	2	–	–	173 879	173 879	–	Oct 2004 – Sept 2011
October 2001 (MTI)	238 940	6	–	26 545	212 395	189 900	–	Oct 2003 – Mar 2006
December 2000 (LTI)	415 510	11	317 127	–	98 383	98 383	–	July 2003 – Dec 2010
November 2000 (LTI)	4 441 620	104	3 574 015	206 277	661 328	485 055	–	July 2003 – Oct 2010
					5 244 027	**4 811 348**		
Bonus Equity Share Plan Shares								
November 2001	1 016 845	117	170 518	27 581	818 746	734 385	–	Nov 2004 – Oct 2006
					818 746	**734 385**		

(a) The terms and conditions for all BHP Billiton Group employee ownership plans are detailed in Section 3.2.3 of the Remuneration Report, except as follows:
The Bonus Equity Share Plan provided eligible employees with the opportunity to take a portion of their incentive plan award in ordinary shares in BHP Billiton Limited. Eligibility was determined by the Board. Participants who elected to take their incentive plan award in shares under the Plan also received an uplift of 25 per cent so that for each A$1 of award taken as shares, A$1.25 worth of shares were provided. The shares were purchased on-market. The shares awarded under this Plan are held in trust and may not be transferred or disposed of for at least a three-year period. The shares are allocated on the following terms:
(i) while the shares are held in trust, the participants are entitled to receive dividends on those shares, entitled to participate in bonus issues, may participate in rights issues, etc. and may direct the trustee on how to vote those shares at a general meeting of BHP Billiton Limited.
(ii) if employment ceases while the shares are in trust, the shares awarded as part of the 25 per cent uplift (or a portion of that uplift) may or may not be forfeited (depending upon the circumstances of the employment relationship ending).
The Employee Share plan option issues for 2002 and 2001 were made on substantially the same terms and conditions as the 2000 issue, the conditions of which are detailed in section 3.2.3 of the Remuneration Report.

(b) All awards issued under the RSS and CIP prior to June 2001 vested as a consequence of the DLC merger. Data as presented reflects awards granted after completion of the DLC merger only.

(c) Options, Performance Rights and awards issued under the Group Incentive Scheme, Bonus Equity Share Plan, RSS and CIP are not transferable or listed and as such do not have a market value.

(d) Shares issued on exercise of Performance Rights and awards under the RSS and CIP include shares purchased on-market.

23 Employee share ownership plans continued

(e) In respect of employee share awards, the BHP Billiton Group utilises the following trusts:

The Billiton Employee Share Ownership Trust is a discretionary Trust for the benefit of all employees of BHP Billiton Plc and its subsidiaries. The Trustee is an independent company, resident in Jersey. The Trust uses funds provided by BHP Billiton Plc and/or its subsidiaries as appropriate to acquire ordinary shares to enable awards to be made or satisfied under the Group Incentive Scheme, Restricted Share Scheme and Co-Investment Plan. The ordinary shares may be acquired by purchase in the market or by subscription at not less than nominal value.

The BHP Performance Share Plan Trust (PSP Trust) is a discretionary trust established to distribute shares under selected BHP Billiton Limited employee share plan schemes. The Trustee of the trust is BHP Billiton Employee Plan Pty Ltd, an Australian company. The trust uses funds provided by BHP Billiton Limited and/or its subsidiaries to acquire shares on market to satisfy exercises made under the Group Incentive Scheme and Performance Share Plan.

The BHP Bonus Equity Plan Trust (BEP Trust) is a discretionary trust established for the purpose of holding shares in BHP Billiton Limited to satisfy exercises made by employees of BHP Billiton Limited and subsidiaries under the BHP Billiton Limited Bonus Equity Share Plan. The trustee is BHP Billiton Employee Plan Pty Ltd.

24 Reserves

	Share premium account 2004 US$M	**Profit and loss account 2004 US$M**	Share premium account 2003 US$M	Profit and loss account 2003 US$M
At the beginning of the financial year as restated (a)	**518**	**8 580**	592	7 475
Retained profit for the year	**–**	**1 762**	–	1 001
Employee share awards	**–**	**71**	–	70
BHP Steel demerger (refer note 3)	**–**	**–**	–	(33)
Bonus shares issued (b)	**–**	**–**	(74)	–
Exchange variations	**–**	**48**	–	67
At the end of the financial year (c)	**518**	**10 461**	518	8 580

(a) Profit and loss account has been restated for the impact of the change in accounting policy regarding employee share awards (refer Accounting Policies).
(b) Upon the demerger of the BHP Steel business in July 2002, bonus shares of BHP Billiton Plc were issued to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held).
(c) Cumulative goodwill set off against reserves on acquisitions prior to 1 July 1998 amounts to US$761 million (2003: US$761 million).

25 Reconciliation of movements in shareholders' funds

	2004 US$M	2003 (Restated) US$M	2002 (Restated) US$M
Profit for the financial year (attributable profit)	**3 379**	1 901	1 690
Other recognised gains	**48**	67	25
Total recognised gains for the financial year	**3 427**	1 968	1 715
Dividends	**(1 617)**	(900)	(784)
Issue of ordinary shares for cash	**66**	98	104
Accrued employee entitlement to share awards	**96**	70	28
Purchases of shares by ESOP trusts (a)	**(25)**	(6)	(14)
Share repurchase scheme (b)			
BHP Billiton Plc	**–**	(20)	–
Share buy-back program (refer note 22)			
BHP Billiton Limited	**–**	–	(19)
Capital reduction on BHP Steel demerger (refer notes 3, 22 and 24)	**–**	(1 489)	–
Net movement in shareholders' funds	**1 947**	(279)	1 030
Shareholders' funds at the beginning of the financial year as restated (c)	**12 091**	12 370	11 340
Shareholders' funds at the end of the financial year	**14 038**	12 091	12 370

(a) At 30 June 2004, 4 948 281 shares (2003: 347 498) were held in trust with a market value at that date of US$43 million (2003: US$2 million).
(b) BHP Billiton Plc entered into an arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Nelson Investment Limited) established for that purpose. No shares were purchased during the year ended 30 June 2004 (2003: 3 890 000 ordinary shares). The aggregate purchase price of US$nil (2003: US$20 million), was funded by the BHP Billiton Group. The cost of purchasing these shares was deducted from shareholders' funds. On 23 June 2004, 3 890 000 ordinary shares of BHP Billiton Plc, which were held by Nelson Investment Limited, were transferred to the Billiton Employee Share Ownership Trust.
(c) Shareholders' funds have been restated for the impact of the change in accounting policy regarding employee share awards.

26 Commitments

	2004 US$M	2003 US$M
Capital expenditure commitments not provided for in the accounts		
Due not later than one year	**1 321**	1 184
Due later than one year and not later than five years	**255**	423
Total capital expenditure commitments	**1 576**	1 607
Lease expenditure commitments		
Finance leases [(a)]		
Due not later than one year	**10**	7
Due later than one year and not later than five years	**42**	34
Due later than five years	**54**	26
Total commitments under finance leases	**106**	67
deduct Future financing charges	**30**	14
Finance lease liability	**76**	53
Operating leases [(b)]		
Due not later than one year [(c)]	**199**	138
Due later than one year and not later than five years	**393**	348
Due later than five years	**231**	256
Total commitments under operating leases	**823**	742
Other commitments [(d)]		
Due not later than one year		
Supply of goods and services	**639**	199
Royalties	**33**	29
Exploration expenditure	**46**	104
Chartering costs	**156**	100
	874	432
Due later than one year and not later than five years		
Supply of goods and services	**1 304**	547
Royalties	**19**	39
Exploration expenditure	**13**	53
Chartering costs	**87**	127
	1 423	766
Due later than five years		
Supply of goods and services	**954**	721
Royalties	**42**	49
Chartering costs	**45**	33
	1 041	803
Total other commitments	**3 338**	2 001

(a) Finance leases are predominantly related to leases of the dry bulk carrier Iron Yandi, power lines, mobile equipment and vehicles. Refer notes 19 and 20.
(b) Operating leases are entered into as a means of acquiring access to property, plant and equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. Certain leases contain extension and renewal options. Amounts represent minimum lease payments.

26 Commitments continued

(c) The BHP Billiton Group has commitments under operating leases to make payments totalling US$199 million (2003: US$138 million) in the next year as follows:

	2004 US$M	2003 US$M
Land and buildings		
Leases which expire:		
Within one year	**5**	7
Between two and five years	**14**	17
Over five years	**51**	14
	70	38
Other operating leases		
Leases which expire:		
Within one year	**29**	22
Between two and five years	**61**	43
Over five years	**39**	35
	129	100

(d) Included in 'Other commitments' is an amount of US$704 million (2003: US$738 million) representing Boodarie Iron's undiscounted continuing operating commitments under a number of take or pay contracts for supply of products/services. Boodarie Iron's operations have been suspended pending completion of a review as to whether or not the business is safe and economically viable. In the event that the operation is not re-opened, some or all of these commitments may require provisioning for losses in the financial statements.

27 Pensions and post-retirement medical benefits

Pension schemes

The BHP Billiton Group operates or participates in a number of pension schemes throughout the world. The more significant schemes relate to businesses in Australia, South Africa, the US, Canada and Europe.

	2004 US$M	2003 US$M	2002 US$M
The pension charge for the year is as follows:			
Defined contribution schemes	**53**	41	61
Industry-wide schemes	**26**	23	18
Defined benefit schemes [a]			
Regular cost	**40**	46	59
Variation cost	**41**	39	14
Interest cost	**(17)**	(20)	(18)
	143	129	134

(a) Excludes net exchange gains on net monetary pension assets of US$8 million (2003: US$39 million; 2002: US$24 million).

To the extent that there is a difference between pension cost and contributions paid, an asset and/or liability arises. The accumulated difference recorded in the balance sheet at 30 June 2004 gives rise to an asset of US$282 million (2003: US$270 million) and a liability of US$62 million (2003: US$65 million).

The assets of the defined contribution schemes and the industry-wide schemes are held separately in independently administered funds. The charge in respect of these schemes is calculated on the basis of contributions due in the financial year.

The remaining pension schemes are defined benefit schemes. Some of the defined benefit schemes have their assets held separately in independently administered funds and others are unfunded. The pension costs and funding for these schemes are assessed in accordance with the advice of professionally qualified actuaries based on the most recent actuarial valuations available.

27 Pensions and post-retirement medical benefits continued

For accounting purposes, the actuarial valuations have determined pension costs for most schemes using the projected unit method. There are exceptions for some schemes that are closed to new members where the attained age method was used. The assumptions used varied by scheme. For the purposes of calculating the pension charge, surpluses or deficiencies are recognised through the variation cost component in future accounting periods as a constant percentage of estimated future payroll over the remaining service life of the employees.

Actuarial valuations used for accounting purposes
The actuarial valuations used for accounting purposes reflected an aggregate market value at 1 July 2003 of US$935 million. The funding levels of these schemes ranged from 49 per cent to 118 per cent and the overall funding level was 89 per cent.

Formal actuarial valuations
Set out below are details for the three largest schemes of the actuarial assumptions and results of the most recent formal valuations for funding purposes. The actuarial assumptions and results differ from those used for accounting purposes.

	BHP Billiton Superannuation Fund[(a)]	Pension Plan for Hourly Employees of BHP Copper Inc	BHP USA Retirement Income Plan
Country	Australia	US	US
Date of valuation	30 June 2003	1 January 2003	1 January 2003
Investment return	7.0%	8.0%	8.0%
Salary growth	3.5%	n/a	4.5%
Pension increases	n/a	n/a	3%
Asset valuation method	Market	5-year smoothing	5-year smoothing
Market value of fund (US$ million)	886	134	88
Actuarial value of fund (US$ million)	886	160	106
Funding level	98%	92%	97%

(a) US$678 million of the market value and actuarial value of the fund is attributable to the defined contribution section of the fund which is fully funded.

Post-retirement medical benefits
The BHP Billiton Group provides medical benefits, which are not pre-funded, for retired employees and their dependants in South Africa, the US, Canada and Suriname. The post-retirement benefit charge, net of employees' and retirees' contributions paid, in respect of these benefits was US$19 million (2003: US$26 million; 2002: US$16 million) excluding an exchange loss of US$20 million (2003: US$22 million loss; 2002: US$14 million gain).

The charge has been calculated in accordance with UK applicable accounting standards. Where there is a surplus or deficit between the accrued liability and the provision recorded, the resulting amount is spread forward over future working lifetimes through the variation cost component. The main actuarial assumptions used in the most recent actuarial valuations of these benefits are as follows:

	South Africa %	US %	Canada %	Suriname %
Ultimate healthcare inflation rate	7.0	5.5	5.0	3.5
Discount rate	9.75	6.25	6.0	5.5

FRS 17 'Retirement Benefits'

Whilst the SSAP 24 disclosure and measurement principles have been applied in accounting for pensions and post-retirement medical benefits in these financial statements, additional disclosures are provided under FRS 17 'Retirement Benefits'. The eventual aim of FRS 17 is to move from a long-term approach under SSAP 24 to a market-based approach in valuing the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. This will impact both the amount and disclosure of the retirement benefits charge in the profit and loss account (for the operating costs and financing costs) and the statement of total recognised gains and losses (STRGL). The net retirement benefit and a liability will be recognised in full on the balance sheet with a consequential impact on shareholders' funds.

Currently, FRS 17 only has to be applied to disclosures.

The BHP Billiton Group does not apply the provisions of FRS 17 for the purposes of measuring pension charge and pension balances in these financial statements. In the absence of the transition to IFRS, FRS 17 would be first effective in such a manner for the 30 June 2006 financial year.

Pension schemes – FRS 17 disclosures

The BHP Billiton Group operates a number of defined benefit schemes in Australia, Canada, the US, Europe, South Africa and South America. Full actuarial valuations are prepared by local actuaries for all funds as at a date close to 30 June 2004 and rolled forward to 30 June 2004. For a minority of plans it has been necessary to roll forward liabilities calculated using earlier valuations. The major assumptions used by the actuaries are as follows:

	Australia & NZ %	Canada %	US %	Europe %	South Africa %	South America %
Year ended 30 June 2004						
Salary increases	**4 to 5**	**3.5 to 4.5**	**4.5**	**3 to 5**	**7 to 8**	**3.5 to 6.08**
Pension increases	**n/a**	**0**	**0 to 3**	**2 to 3**	**3.5 to 5.8**	**2 to 4**
Discount rate	**5.5 to 5.8**	**6 to 6.5**	**6.25 to 6.5**	**5.3 to 5.75**	**8 to 8.6**	**5.5 to 10.24**
Inflation	**2.5**	**2.5**	**3**	**2 to 3**	**6**	**2.5 to 4**
Year ended 30 June 2003						
Salary increases	4 to 4.5	3.5 to 4.5	4.5	3 to 4.5	7 to 8	3.5 to 5.57
Pension increases	n/a	0	0 to 3	2 to 2.5	3.5 to 5.25	1.5 to 3.5
Discount rate	4.75 to 5	6 to 6.5	6	5	7.5 to 8.7	5.5 to 9.71
Inflation	3	2.5 to 3	3	2 to 2.5	6	2.5 to 3.5
Year ended 30 June 2002						
Salary increases	3 to 4.5	3.5 to 4.5	3.5 to 4.5	3 to 4.75	7.75 to 9	2 to 5.57
Pension increases	0	0	0 to 3	2.5 to 5	3.75 to 5.5	2 to 3.5
Discount rate	4.75 to 6	6.5 to 7	6.5 to 7	5.5 to 6	8.75 to 9.25	6 to 9.71
Inflation	2 to 3	2 to 3	2 to 3	2.5 to 2.75	7	2.0 to 3.5

27 Pensions and post-retirement medical benefits continued

The fair market value of the assets and the surplus/(deficit) of the defined benefit schemes were:

	Australia & NZ US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2004							
Bonds	**90**	**59**	**74**	**77**	**29**	**59**	**388**
Equities	**153**	**35**	**218**	**94**	**95**	**1**	**596**
Property	**22**	**–**	**–**	**–**	**11**	**–**	**33**
Cash and net current assets	**1**	**5**	**6**	**13**	**6**	**1**	**32**
Insured annuities	**–**	**8**	**–**	**19**	**87**	**–**	**114**
Other	**–**	**–**	**–**	**6**	**2**	**1**	**9**
Total assets	**266**	**107**	**298**	**209**	**230**	**62**	**1 172**
Actuarial liabilities	**(303)**	**(96)**	**(449)**	**(280)**	**(211)**	**(54)**	**(1 393)**
Unrecognised surplus	**–**	**(22)**	**–**	**–**	**(34)**	**(10)**	**(66)**
Deficit	**(37)**	**(11)**	**(151)**	**(71)**	**(15)**	**(2)**	**(287)**
Related deferred tax asset	**11**	**3**	**16**	**15**	**4**	**–**	**49**
Net pension liability	**(26)**	**(8)**	**(135)**	**(56)**	**(11)**	**(2)**	**(238)**
Year ended 30 June 2003							
Bonds	68	60	58	64	23	46	319
Equities	147	28	187	64	69	1	496
Property	19	–	–	–	–	–	19
Cash and net current assets	–	13	5	23	17	–	58
Insured annuities	–	–	–	20	–	–	20
Total assets	234	101	250	171	109	47	912
Actuarial liabilities	(286)	(96)	(439)	(247)	(83)	(40)	(1 191)
Unrecognised surplus	–	(19)	–	–	(28)	(10)	(57)
Deficit	(52)	(14)	(189)	(76)	(2)	(3)	(336)
Related deferred tax asset	16	4	17	12	–	–	49
Net pension liability	(36)	(10)	(172)	(64)	(2)	(3)	(287)
Year ended 30 June 2002							
Bonds	163	52	29	51	19	41	355
Equities	307	27	256	63	59	2	714
Property	64	–	–	–	–	–	64
Cash and net current assets	17	13	3	16	12	1	62
Insured annuities	–	–	–	16	–	–	16
Total assets	551	92	288	146	90	44	1 211
Actuarial liabilities	(634)	(81)	(400)	(179)	(62)	(31)	(1 387)
Unrecognised surplus	–	(21)	–	–	(29)	–	(50)
Surplus/(deficit)	(83)	(10)	(112)	(33)	(1)	13	(226)
Related deferred tax (liability)/asset	13	4	10	3	–	(4)	26
Net pension asset/(liability)	(70)	(6)	(102)	(30)	(1)	9	(200)

The expected rates of return on these asset categories were:

	Australia & NZ %	Canada %	US %	Europe %	South Africa %	South America %
Year ended 30 June 2004						
Bonds	**6**	**5.2 to 6**	**5 to 7**	**4.5 to 5.25**	**8 to 10.5**	**6 to 10.24**
Equities	**8**	**8 to 8.3**	**8.4 to 9**	**8 to 8.3**	**12**	**9 to 10.24**
Property	**7**	**n/a**	**n/a**	**n/a**	**12**	**n/a**
Cash and net current assets	**5**	**2.7 to 4**	**3.5 to 4**	**3.7 to 5.7**	**6 to 9**	**6 to 10.24**
Insured annuities	**n/a**	**3.75**	**n/a**	**5.7**	**9.1 to 10.5**	**n/a**
Other	**n/a**	**n/a**	**n/a**	**4.75 to 5.7**	**7.8 to 12**	**9**
Total assets	**7.5 to 7.53**	**3.75 to 7.23**	**6 to 8.5**	**5.51 to 7.52**	**10.3 to 11.01**	**6 to 10.24**
Year ended 30 June 2003						
Bonds	5 to 6	5.5 to 6.5	7	4.3 to 4.6	7.5 to 9.04	6 to 9.71
Equities	8 to 9	7.25 to 9	9	7.25 to 8.25	12	9.71
Property	7 to 8	n/a	n/a	n/a	n/a	n/a
Cash and net current assets	5	1 to 3.75	3.5	3.75 to 4.25	7 to 7.75	9.71
Insured annuities	n/a	n/a	n/a	5	n/a	n/a
Total assets	7.5	3.75 to 7.5	8.5	4.8 to 7.2	9.9 to 10.55	6 to 9.71
Year ended 30 June 2002						
Bonds	5 to 6.5	6 to 6.5	7	5 to 5.75	8.75 to 9.25	6 to 9.71
Equities	7 to 9	7.5 to 9.5	8.7	7.5 to 8	13 to 13.5	9.71
Property	6 to 8	n/a	n/a	n/a	n/a	n/a
Cash and net current assets	7.27	1 to 4	7	3 to 4	6.5 to 10	9.71
Insured annuities	n/a	n/a	n/a	6	n/a	n/a
Total assets	6 to 8	4 to 6.9	8.5	4.5 to 7.2	10.45 to 11.75	6 to 9.71

Analysis of the operating costs:

	Australia & NZ US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2004							
Current service cost	**26**	**3**	**12**	**11**	**4**	**1**	**57**
Past service cost	**–**	**–**	**2**	**–**	**–**	**13**	**15**
Previously unrecognised surplus deducted from past service costs	**–**	**–**	**–**	**–**	**–**	**(10)**	**(10)**
Total operating charge	**26**	**3**	**14**	**11**	**4**	**4**	**62**
Year ended 30 June 2003							
Current service cost	19	2	10	9	3	–	43
Curtailment losses/(gains)	(21)	2	–	–	–	–	(19)
Previously unrecognised surplus deducted from curtailment losses	–	(2)	–	–	–	–	(2)
Total operating charge	(2)	2	10	9	3	–	22

27 Pensions and post-retirement medical benefits continued

Analysis of the financing credits/(costs):

	Australia & NZ US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2004							
Expected return on pension scheme assets	**19**	**5**	**22**	**11**	**18**	**3**	**78**
Interest on pension scheme liabilities	**(14)**	**(6)**	**(27)**	**(13)**	**(14)**	**(2)**	**(76)**
Net return/(cost)	**5**	**(1)**	**(5)**	**(2)**	**4**	**1**	**2**
Year ended 30 June 2003							
Expected return on pension scheme assets	19	4	24	10	8	2	67
Interest on pension scheme liabilities	(13)	(5)	(27)	(11)	(6)	(2)	(64)
Net return/(cost)	6	(1)	(3)	(1)	2	–	3

Analysis of gains and losses that would be recognised in STRGL:

	Australia & NZ US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2004							
Actual return less expected return on pension scheme assets	**21**	**5**	**24**	**(4)**	**9**	**14**	**69**
Experience gains/(losses) arising on the scheme liabilities	**(22)**	**–**	**–**	**(6)**	**4**	**(1)**	**(25)**
Changes in assumptions underlying the present value of scheme liabilities	**18**	**1**	**23**	**12**	**(27)**	**–**	**27**
Loss pursuant to unrecognised surpluses	**–**	**(3)**	**–**	**–**	**–**	**(10)**	**(13)**
Total actuarial gain/(loss) recognised in STRGL	**17**	**3**	**47**	**2**	**(14)**	**3**	**58**
Difference between expected and actual outcomes:							
Asset gain/(loss) as a percentage of scheme assets	**7.9%**	**4.7%**	**8.1%**	**(1.9%)**	**3.9%**	**22.6%**	**5.9%**
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	**(7.3%)**	**0%**	**0%**	**(2.1%)**	**1.9%**	**(1.9%)**	**(1.8%)**
Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	**5.6%**	**3.1%**	**10.5%**	**0.7%**	**(6.6%)**	**5.6%**	**4.2%**

Analysis of gains and losses that would be recognised in STRGL continued

	Australia & NZ US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2003							
Actual return less expected return on pension scheme assets	(24)	(1)	(24)	(11)	(11)	10	(61)
Experience gains/(losses) arising on the scheme liabilities	17	(2)	6	(7)	(1)	(9)	4
Changes in assumptions underlying the present value of scheme liabilities	(16)	(4)	(47)	(26)	1	(3)	(95)
Other gains/(losses)	–	2	–	–	–	(13)	(11)
Loss pursuant to legislative change with regard to South African surpluses	–	–	–	–	9	–	9
Total actuarial loss recognised in STRGL	(23)	(5)	(65)	(44)	(2)	(15)	(154)
Difference between expected and actual outcomes:							
Asset gain/(loss) as a percentage of scheme assets	(10.3%)	(1.0%)	(9.6%)	(6.4%)	(10.1%)	21.3%	(6.7%)
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	5.9%	(2.1%)	1.4%	(2.8%)	(1.2%)	(22.5%)	0.3%
Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	(8.0%)	(5.2%)	(14.8%)	(17.8%)	(2.4%)	(37.5%)	(12.9%)
Year ended 30 June 2002							
Actual return less expected return on pension scheme assets	(82)	(3)	(78)	(18)	(1)	31	(151)
Experience gains/(losses) arising on the scheme liabilities	33	–	–	8	(7)	(18)	16
Changes in assumptions underlying the present value of scheme liabilities	–	–	(23)	(15)	(2)	–	(40)
Other gains/(losses)	–	(1)	6	–	–	–	5
Loss pursuant to legislative change with regard to South African surpluses	–	–	–	–	(29)	–	(29)
Total actuarial gain/(loss) recognised in STRGL	(49)	(4)	(95)	(25)	(39)	13	(199)
Difference between expected and actual outcomes:							
Asset gain/(loss) as a percentage of scheme assets	(14.9%)	(3.3%)	(27.1%)	(12.3%)	(1.1%)	70.5%	(12.5%)
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	5.2%	0%	0%	4.5%	(11.3%)	(58.1%)	1.2%
Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	(7.7%)	(4.9%)	(23.8%)	(14.0%)	(62.9%)	41.9%	(14.3%)

In the year ended 30 June 2002, the Pension Funds Second Amendment Act, 2001, was passed in South Africa. Under this Act, surpluses in pension funds must be used in a manner specified under Regulations to the Act, to improve current and former members' benefits prior to the employer obtaining any benefit from the surpluses. Consequently, it is considered unlikely that any BHP Billiton Group company will obtain any benefit from the surpluses in the South African schemes. Therefore the reduction in the recognised surpluses in South Africa is recognised as an actuarial loss in the STRGL.

27 Pensions and post-retirement medical benefits continued

Analysis of the movement in surplus/(deficit):

	Australia & NZ US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2004							
Deficit in schemes at 30 June 2003	**(52)**	**(14)**	**(189)**	**(76)**	**(2)**	**(3)**	**(336)**
Movement during the year:							
Adjustment for changes in the Group structure and joint venture arrangements	**(2)**	**(2)**	**(9)**	**–**	**–**	**–**	**(13)**
Current service cost	**(26)**	**(3)**	**(12)**	**(11)**	**(4)**	**(1)**	**(57)**
Contributions	**23**	**7**	**19**	**22**	**4**	**–**	**75**
Past service cost	**–**	**–**	**(2)**	**–**	**–**	**(3)**	**(5)**
Other finance income/(costs)	**5**	**(1)**	**(5)**	**(2)**	**4**	**1**	**2**
Actuarial gains/(losses)	**17**	**3**	**47**	**2**	**(14)**	**3**	**58**
Exchange gains/(losses)	**(2)**	**(1)**	**–**	**(6)**	**(3)**	**1**	**(11)**
Deficit in schemes at 30 June 2004	**(37)**	**(11)**	**(151)**	**(71)**	**(15)**	**(2)**	**(287)**
Year ended 30 June 2003							
Surplus/(deficit) in schemes at 30 June 2002	(83)	(10)	(112)	(33)	(1)	13	(226)
Movement during the year:							
Adjustment to surplus/(deficit) at 1 July 2002 in respect of companies no longer consolidated	38	2	–	–	–	–	40
Current service cost	(19)	(2)	(10)	(9)	(3)	–	(43)
Contributions	16	4	1	15	2	–	38
Other finance income/(costs)	6	(1)	(3)	(1)	2	–	3
Actuarial losses	(23)	(5)	(65)	(44)	(2)	(15)	(154)
Curtailment gains	21	–	–	–	–	–	21
Exchange losses	(8)	(2)	–	(4)	–	(1)	(15)
Deficit in schemes at 30 June 2003	(52)	(14)	(189)	(76)	(2)	(3)	(336)

Post-retirement medical benefits – FRS 17 disclosures

The BHP Billiton Group also operates a number of post-retirement medical benefit arrangements in South Africa, the US, Canada and Suriname. Full actuarial valuations were carried out as at 30 June 2004, many of them by local actuaries. For a minority of plans it has been necessary to roll forward liabilities calculated using earlier data. The major assumptions used by the actuaries are as follows:

	South Africa %	US %	Canada %	Suriname %	UK %
Year ended 30 June 2004					
Ultimate healthcare inflation rate	**7.25**	**5**	**5**	**3.5**	**5.7**
Discount rate	**10**	**6.25**	**6**	**5.5**	**2.5**
Year ended 30 June 2003					
Ultimate healthcare inflation rate	7	5.5	5	3.5	n/a
Discount rate	9.75	6.25	6	5.5	n/a
Year ended 30 June 2002					
Ultimate healthcare inflation rate	9	5	3	5	4.5
Discount rate	11.75	7	6.5	5.5 to 6.5	6

27 Pensions and post-retirement medical benefits continued

The actuarial liabilities of the post-retirement medical schemes were:

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	UK US$M	Total US$M
Year ended 30 June 2004						
Present value of scheme liabilities	**(161)**	**(124)**	**(25)**	**(10)**	**(1)**	**(321)**
Past service credit	**(27)**	**–**	**–**		**–**	**(27)**
Deficit	**(188)**	**(124)**	**(25)**	**(10)**	**(1)**	**(348)**
Related deferred tax asset	**56**	**5**	**–**	**3**	**–**	**64**
Net post-retirement medical liability	**(132)**	**(119)**	**(25)**	**(7)**	**(1)**	**(284)**
Year ended 30 June 2003						
Present value of scheme liabilities	(133)	(137)	(26)	(19)	–	(315)
Past service credit	(20)	–	–	–	–	(20)
Deficit	(153)	(137)	(26)	(19)	–	(335)
Related deferred tax asset	34	22	–	6	–	62
Net post-retirement medical liability	(119)	(115)	(26)	(13)	–	(273)
Year ended 30 June 2002						
Present value of scheme liabilities	(54)	(127)	(18)	(19)	(1)	(219)
Past service credit	(18)	–	–	–	–	(18)
Deficit	(72)	(127)	(18)	(19)	(1)	(237)
Related deferred tax asset	16	19	–	6	–	41
Net post-retirement medical liability	(56)	(108)	(18)	(13)	(1)	(196)

Analysis of the operating costs/(credits):

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	UK US$M	Total US$M
Year ended 30 June 2004						
Current service cost	**3**	**3**	**–**	**–**	**–**	**6**
Past service cost	**16**	**1**	**–**	**–**	**–**	**17**
Total operating charge	**19**	**4**	**–**	**–**	**–**	**23**
Year ended 30 June 2003						
Current service cost	2	4	–	–	–	6
Past service cost	1	7	–	–	–	8
Total operating charge	3	11	–	–	–	14

Analysis of the financing credits/(costs):

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	UK US$M	Total US$M
Year ended 30 June 2004						
Interest on post-retirement medical liabilities	**(14)**	**(8)**	**(1)**	**(1)**	**–**	**(24)**
Net cost	**(14)**	**(8)**	**(1)**	**(1)**	**–**	**(24)**
Year ended 30 June 2003						
Interest on post-retirement medical liabilities	(11)	(8)	(1)	(1)	–	(21)
Net cost	(11)	(8)	(1)	(1)	–	(21)

27 Pensions and post-retirement medical benefits continued

Analysis of gains and losses that would be recognised in STRGL:

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	UK US$M	Total US$M
Year ended 30 June 2004						
Experience gains arising on scheme liabilities	**23**	**10**	**–**	**–**	**–**	**33**
Changes in assumptions underlying the present value of scheme liabilities	**(1)**	**3**	**–**	**–**	**–**	**2**
Actuarial gain recognised in STRGL	**22**	**13**	**–**	**–**	**–**	**35**
Difference between expected and actual outcomes:						
Experience gains on scheme liabilities as a percentage of the present value of scheme liabilities	**14.3%**	**8.1%**	**0%**	**0%**	**0%**	**10.3%**
Total gain recognised in STRGL as a percentage of the present value of scheme liabilities	**13.7%**	**10.5%**	**0%**	**0%**	**0%**	**10.9%**
Year ended 30 June 2003						
Experience gains/(losses) arising on scheme liabilities	(27)	15	1	–	–	(11)
Changes in assumptions underlying the present value of scheme liabilities	(9)	(16)	(7)	–	–	(32)
Actuarial loss recognised in STRGL	(36)	(1)	(6)	–	–	(43)
Difference between expected and actual outcomes:						
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	(20.3%)	10.9%	3.8%	0%	0%	(3.5%)
Total loss recognised in STRGL as a percentage of the present value of scheme liabilities	(27.1%)	(0.7%)	(23.1%)	0%	0%	(13.7%)
Year ended 30 June 2002						
Experience gains/(losses) arising on scheme liabilities	8	(6)	–	–	–	2
Changes in assumptions underlying the present value of scheme liabilities	(10)	–	–	(1)	–	(11)
Actuarial loss recognised in STRGL	(2)	(6)	–	(1)	–	(9)
Difference between expected and actual outcomes:						
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	14.8%	(4.7%)	0%	0%	0%	0.9%
Total loss recognised in STRGL as a percentage of the present value of scheme liabilities	(3.7%)	(4.7%)	0%	(5.3%)	0%	(4.1%)

Analysis of the movement in surplus/(deficit):

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	UK US$M	Total US$M
Year ended 30 June 2004						
Deficit in schemes at 30 June 2003	**(153)**	**(137)**	**(26)**	**(19)**	**–**	**(335)**
Movement during the year:						
Adjustment for changes in the Group structure and joint venture arrangements	**–**	**2**	**–**	**9**	**(1)**	**10**
Current service cost	**(3)**	**(3)**	**–**	**–**	**–**	**(6)**
Contributions	**6**	**10**	**2**	**1**	**–**	**19**
Past service costs	**(16)**	**(1)**	**–**	**–**	**–**	**(17)**
Other finance costs	**(14)**	**(8)**	**(1)**	**(1)**	**–**	**(24)**
Actuarial gains	**22**	**13**	**–**	**–**	**–**	**35**
Exchange losses	**(30)**	**–**	**–**	**–**	**–**	**(30)**
Deficit in schemes at 30 June 2004	**(188)**	**(124)**	**(25)**	**(10)**	**(1)**	**(348)**
Year ended 30 June 2003						
Deficit in schemes at 30 June 2002	(72)	(127)	(18)	(19)	(1)	(237)
Movement during the year:						
Adjustment at 1 July 2002 in respect of changes in joint venture arrangements and other plan changes	–	–	–	–	1	1
Current service cost	(2)	(4)	–	–	–	(6)
Contributions	5	10	2	1	–	18
Past service costs	(1)	(7)	–	–	–	(8)
Other finance costs	(11)	(8)	(1)	(1)	–	(21)
Actuarial losses	(36)	(1)	(6)	–	–	(43)
Exchange losses	(36)	–	(3)	–	–	(39)
Deficit in schemes at 30 June 2003	(153)	(137)	(26)	(19)	–	(335)

Joint ventures and associates – FRS 17 disclosures

If the measurement principles of FRS 17 had been applied to the pension schemes and post-retirement medical benefit schemes of the Group's joint ventures and associates at 30 June 2004, a deficit of approximately US$49 million (2003: US$50 million) would have been recognised in the Group balance sheet and actuarial gains of approximately US$12 million (2003: actuarial losses of US$35 million) would have been taken to the Group STRGL.

28 Analysis of movements in net debt

	At 1 July 2003 US$M	Acquisitions & disposals US$M	Cash flow US$M	Other non-cash movements US$M	Exchange movements US$M	**At 30 June 2004 US$M**
Cash at bank and in hand	587	(5)	88	–	4	**674**
Overdrafts	(21)	–	(99)	–	(13)	**(133)**
	566	(5)	(11)	–	(9)	**541**
Redeemable preference shares	(450)	–	–	–	–	**(450)**
Finance lease obligations	(53)	–	9	(31)	(1)	**(76)**
Other debt due within one year	(1 011)	–	733	(637)	(77)	**(992)**
Other debt due after one year	(5 789)	–	228	637	(12)	**(4 936)**
	(7 303)	–	970	(31)	(90)	**(6 454)**
Liquid resources [(a)]	965	–	178	–	1	**1 144**
Net debt	(5 772)	(5)	1 137	(31)	(98)	**(4 769)**
The balance sheet movement in cash including money market deposits is as follows:						
Cash at bank and in hand	587	(5)	88	–	4	**674**
Money market deposits [(a)]	965	–	178	–	1	**1 144**
	1 552	(5)	266	–	5	**1 818**

(a) Liquid resources represents money market deposits with financial institutions that have a maturity of up to three months.

29 Financial instruments

BHP Billiton Group financial risk strategy
The BHP Billiton Group manages its exposure to key financial risks, including interest rates, currency movements and commodity prices, in accordance with the Group's Portfolio Risk Management strategy. The objective of the strategy is to support the delivery of the BHP Billiton Group's financial targets while protecting its future financial security and flexibility.

The strategy entails managing risk at the portfolio level through the adoption of a 'self insurance' model, by taking advantage of the natural diversification provided through the scale, diversity and flexibility of the portfolio as the principal means for managing risk.

There are two components to the Portfolio Risk Management strategy:

Risk mitigation – where risk is managed at the portfolio level within an approved Cash Flow at Risk ('CFaR') framework to support the achievement of the BHP Billiton Group's broader strategic objectives. The CFaR framework is a means to quantify the variability of the BHP Billiton Group's cash flows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cash flows over a one-year horizon under normal market conditions at a confidence level of 95 per cent).

Where CFaR is within the Board-approved limits, hedging activities of operational currency exposures are not undertaken. However, the Group generally hedges the non-US dollar currency exposure of major capital expenditure projects. Legacy hedge positions that existed prior to the adoption of the Portfolio Risk Management strategy have been allowed to run off. There could also be circumstances, for example, such as following a major acquisition, when it becomes appropriate to mitigate risk in order to support the BHP Billiton Group's strategic objectives. In such circumstances, the BHP Billiton Group may execute hedge transactions or utilise other techniques to return risk to within approved parameters.

Strategic financial transactions – where opportunistic transactions are entered into to capture value from perceived market over/under valuations. These transactions occur on an infrequent basis and are treated separately to the risk mitigation transactions, with all gains and losses included in the profit and loss account at the end of each reporting period. These transactions are strictly controlled under a separate stop-loss and Value at Risk limit framework. There have been no strategic financial transactions undertaken to date.

Primary responsibility for identification and control of financial risks rests with the Financial Risk Management Committee (FRMC) under authority delegated by the Office of the Chief Executive.

The FRMC receives reports on, amongst other matters: financing requirements both for existing operations and new capital projects; assessments of risks and rewards implicit in requests for financing; and market forecasts for interest rates, currency movements and commodity prices, including analysis of sensitivities. In addition, the FRMC receives reports on the various financial risk exposures of the BHP Billiton Group. On the basis of this information, the FRMC determines the degree to which it is appropriate to use financial instruments, commodity contracts, other hedging instruments or other techniques to mitigate the identified risks. The main risks for which such instruments may be appropriate are interest rate risk, liquidity risk, foreign currency risk and commodity price risk, each of which is described below. In addition, where risks could be mitigated by insurance the FRMC decides whether such insurance is appropriate and cost-effective. FRMC decisions can be implemented directly by Group management or can be delegated from time to time to be implemented by the management of the Customer Sector Groups.

FINANCIAL STATEMENTS

BHP Billiton Group risk exposures and responses
The main financial risks relating to interest rates and foreign currency are summarised in the tables below. The individual risks along with the responses of the BHP Billiton Group are also set out below.

Interest rate risk
The BHP Billiton Group is exposed to interest rate risk on its outstanding borrowings and investments. Interest rate risk is managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

When required under this strategy, the BHP Billiton Group uses interest rate swaps, including cross currency interest rate swaps, to convert a fixed rate exposure to a floating rate exposure or vice versa. All interest swaps have been designated as hedging instruments.

The interest rate risk tables present interest rate risk and effective weighted average interest rates for classes of financial assets and liabilities.

The combined interest rate and foreign currency risk tables also present interest rate risk as well as weighted average fixed interest rates and weighted average maturities. These tables present the information for each principal currency in which financial assets and liabilities are denominated.

Interest rate risk

2004	Note	Weighted average interest rate[a]	Floating interest rate US$M	Fixed interest maturing in: 1 year or less US$M	1 to 2 years US$M	2 to 5 years US$M	More than 5 years US$M	Non-interest bearing US$M	Total US$M
Financial assets									
Cash	28	**1.1%**	**1 747**	**71**	**–**	**–**	**–**	**–**	**1 818**
Debtors		**8.6%**	**–**	**–**	**17**	**15**	**8**	**3 081**	**3 121**
Other financial assets	15, 18	**9.0%**	**380**	**4**	**–**	**–**	**6**	**138**	**528**
			2 127	**75**	**17**	**15**	**14**	**3 219**	**5 467**
Financial liabilities									
Creditors		**–**	**–**	**–**	**–**	**–**	**–**	**2 715**	**2 715**
Bank overdrafts (unsecured)	19	**1.9%**	**133**	**–**	**–**	**–**	**–**	**–**	**133**
Bank loans	19, 20	**7.4%**	**238**	**64**	**–**	**5**	**–**	**–**	**307**
Commercial paper	19	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Notes and debentures	19, 20	**3.8%**	**2 394**	**176**	**316**	**–**	**1 073**	**–**	**3 959**
Non-recourse finance	19, 20	**2.5%**	**825**	**23**	**–**	**58**	**–**	**–**	**906**
Secured debt (limited recourse)	19, 20	**6.1%**	**193**	**28**	**32**	**98**	**135**	**–**	**486**
Redeemable preference shares	20	**5.2%**	**150**	**–**	**300**	**–**	**–**	**–**	**450**
Lease liabilities	19, 20	**11.6%**	**34**	**2**	**–**	**10**	**30**	**–**	**76**
Other borrowings	19, 20	**6.1%**	**119**	**7**	**7**	**23**	**80**	**34**	**270**
Employee benefits [b]	21	**5.9%**	**72**	**–**	**–**	**–**	**–**	**550**	**622**
			4 158	**300**	**655**	**194**	**1 318**	**3 299**	**9 924**
Interest rate swaps [c]			**(2 263)**	**–**	**281**	**1 132**	**850**		

29 Financial instruments continued

2003	Note	Weighted average interest rate[(a)]	Floating interest rate US$M	Fixed interest maturing in: 1 year or less US$M	1 to 2 years US$M	2 to 5 years US$M	More than 5 years US$M	Non-interest bearing US$M	Total US$M
Financial assets									
Cash	28	1.0%	1 522	30	–	–	–	–	1 552
Debtors		4.8%	83	–	–	24	10	2 445	2 562
Other financial assets	15,18	8.6%	398	–	8	–	7	171	584
			2 003	30	8	24	17	2 616	4 698
Financial liabilities									
Creditors		–	–	–	–	–	–	2 264	2 264
Bank overdrafts (unsecured)	19	1.9%	21	–	–	–	–	–	21
Bank loans	19, 20	8.2%	613	40	45	–	–	–	698
Commercial paper	19	1.2%	138	–	–	–	–	–	138
Notes and debentures	19, 20	4.5%	1 705	150	176	1 191	1 073	–	4 295
Non-recourse finance	19, 20	2.8%	803	–	–	103	–	–	906
Secured debt (limited recourse)	19, 20	6.3%	191	22	26	100	167	–	506
Redeemable preference shares	20	5.3%	150	–	–	300	–	–	450
Lease liabilities	19, 20	6.7%	37	2	–	10	4	–	53
Other borrowings	19, 20	6.0%	109	11	7	21	78	31	257
Employee benefits [(b)]	21	5.0%	70	–	–	–	–	477	547
			3 837	225	254	1 725	1 322	2 772	10 135
Interest rate swaps [(c)]			(1 522)	–	–	281	1 241		

(a) Weighted average interest rates take into account the effect of interest rate and cross currency swaps.
(b) Employee benefits to be settled in cash.
(c) The interest rate swaps result in fixed rate debt of US$2 263 million (2003: US$1 522 million) being shown as floating rate debt.

Combined interest rate and foreign currency risk

2004	Floating rate [(a)] US$M	Fixed rate US$M	Non-interest bearing US$M	Total US$M	Weighted average interest rate (%) Fixed rate	Weighted average period for which rate is fixed Years	Weighted average period to maturity for non-interest bearing liabilities Years
Financial assets							
US dollars	**1 503**	**62**	**2 035**	**3 600**	**4.24**	**2**	**2**
South African rand	**185**	**10**	**258**	**453**	**3.22**	**1**	**1**
Australian dollars	**115**	**29**	**358**	**502**	**5.36**	**2**	**3**
Canadian dollars	**32**	**–**	**10**	**42**	**–**	**–**	**1**
Other	**292**	**20**	**558**	**870**	**1.08**	**1**	**2**
	2 127	**121**	**3 219**	**5 467**	**3.90**	**2**	**2**
Financial liabilities							
US dollars	**3 897**	**2 278**	**1 242**	**7 417**	**7.20**	**8**	**1**
South African rand	**84**	**158**	**452**	**694**	**10.56**	**9**	**1**
Australian dollars	**136**	**14**	**1 193**	**1 343**	**8.73**	**5**	**2**
Canadian dollars	**–**	**–**	**90**	**90**	**–**	**–**	**1**
Other	**41**	**17**	**322**	**380**	**6.73**	**9**	**1**
	4 158	**2 467**	**3 299**	**9 924**	**7.42**	**8**	**1**

2003	Floating rate [(a)] US$M	Fixed rate US$M	Non-interest bearing US$M	Total US$M	Weighted average interest rate (%) Fixed rate	Weighted average period for which rate is fixed Years	Weighted average period to maturity for non-interest bearing liabilities Years
Financial assets							
US dollars	1 578	27	1 569	3 174	4.87	3	2
South African rand	193	5	236	434	2.66	2	1
Australian dollars	14	23	524	561	7.39	3	2
Canadian dollars	144	2	19	165	1.08	1	1
Other	74	22	268	364	3.13	2	2
	2 003	79	2 616	4 698	5.00	3	2
Financial liabilities							
US dollars	3 278	3 349	1 023	7 650	6.56	7	1
South African rand	456	146	387	989	12.39	5	1
Australian dollars	95	16	1 075	1 186	7.88	6	1
Canadian dollars	–	–	34	34	–	–	1
Other	8	15	253	276	7.43	9	1
	3 837	3 526	2 772	10 135	6.81	7	1

(a) The floating rate financial liabilities bear interest at various rates set with reference to the prevailing LIBOR or equivalent for that time period and country.

29 Financial instruments continued

Details of interest rate swaps and cross currency swaps used to hedge interest rate and foreign currency risks are as follows:

	Weighted average exchange rate 2004	2003	Weighted average interest rate payable 2004 %	2003 %	Weighted average interest rate receivable 2004 %	2003 %	Interest rate swap amount [a] 2004 US$M	2003 US$M	Cross currency swap amount [a] 2004 US$M	2003 US$M
Interest rate swaps										
US dollar swaps										
Pay floating[b]/receive fixed										
Later than five years	**n/a**	n/a	**1.80**	–	**4.80**	–	**850**	850	**n/a**	n/a
Cross currency swaps										
Australian dollar to US dollar swaps										
Pay floating[b]/receive floating[b]										
Not later than one year	**0.5217**	–	**1.61**	–	**5.68**	–	**–**	–	**130**	–
Later than one year but not later than two years	**–**	0.5217	**–**	1.99	**–**	5.34	**–**	–	**–**	130
Pay floating[b]/receive fixed										
Later than one year but not later than two years	**0.5620**	–	**2.09**	–	**7.50**	–	**281**	–	**281**	–
Later than two years but not later than five years	**0.5217**	0.5620	**1.96**	2.55	**6.25**	7.50	**391**	281	**391**	281
Later than five years	**–**	0.5217	**–**	2.30	**–**	6.25	**–**	391	**–**	391
Euro to US dollar swaps										
Pay floating[b]/receive fixed										
Later than two years but not later than five years	**0.9881**	–	**1.43**	–	**3.88**	–	**741**	–	**741**	–
Pay fixed/receive fixed										
Later than two years but not later than five years	**–**	0.9881	**–**	3.88	**–**	4.38	**n/a**	n/a	**–**	741
							2 263	1 522	**1 543**	1 543

[a] Amount represents US$ equivalent of principal payable under the swap contract.
[b] Floating interest rate in future periods will be based on LIBOR for US dollar swaps and BBSW for Australian dollar swaps applicable at the time of the interest rate reset.

Currency risk
The US dollar is the functional currency of most operations within the BHP Billiton Group and so most currency exposure relates to transactions and balances in currencies other than the US dollar. The BHP Billiton Group has potential currency exposures in respect of items denominated in currencies other than the functional currency of an operation comprising:

- transactional exposure in respect of non-functional currency expenditure;
- translational exposure in respect of investments in overseas operations; and
- translational exposure in respect of non-functional currency monetary items.

The potential currency exposures are discussed below.

Transactional exposure in respect of non-functional currency expenditure
Operating expenditure and capital expenditure is incurred by some operations in currencies other than their functional currency. To a lesser extent, sales revenue is earned in currencies other than the functional currency of operations, and certain exchange control restrictions may require that funds be maintained in currencies other than the functional currency of the operation. These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit. When required under this strategy, foreign exchange hedging contracts are entered into in foreign exchange markets. Operating and capital costs are hedged using forward exchange and currency option contracts.

Legacy positions previously taken out prior to the BHP Billiton merger to hedge US dollar sales revenue earned by operations within the BHP Billiton Limited Group whose functional currency was not US dollars were redesignated at the time of the merger, as hedges of Australian dollar operating costs. These hedges expired during the 2004 financial year.

The Group generally hedges the non-US dollar currency exposure of major capital expenditure projects. Forward contracts taken out under this policy are separately disclosed below as 'Relating to capital expenditure hedging'.

The following tables provide information about the principal currency hedge contracts.

Foreign exchange contracts

	Weighted average exchange rate 2004	2003	Contract amounts 2004 US$M	2003 US$M
Relating to capital expenditure hedging				
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	**0.7069**	0.5276	**361**	212
Later than one year but not later than two years	**0.6928**	0.5186	**334**	13
Later than two years but not later than three years	**0.6803**	–	**68**	–
Later than three years but not later than four years	**0.6715**	–	**1**	–
Total	**0.6983**	0.5271	**764**	225
Relating to operating hedging				
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	**0.7101**	0.6240	**7**	732
Total	**0.7101**	0.6240	**7**	732
Forward contracts – sell Australian dollars/buy US dollars				
Not later than one year	**0.6882**	–	**58**	–
Total	**0.6882**	–	**58**	–
Forward contracts – sell Euros/buy US dollars				
Not later than one year	**0.8313**	0.9061	**136**	175
Later than one year but not later than two years	**0.8383**	0.8532	**57**	12
Later than two years but not later than three years	**–**	0.8584	**–**	6
Total	**0.8334**	0.9015	**193**	193
Forward contracts – sell US dollars/buy Euros				
Not later than one year	**0.9309**	1.0333	**3**	45
Later than one year but not later than two years	**0.9439**	0.9309	**2**	3
Later than two years but not later than three years	**0.9357**	0.9439	**22**	3
Later than three years but not later than four years	**–**	0.9357	**–**	22
Total	**0.9358**	0.9933	**27**	73
Forward contracts – sell US dollars/buy UK pounds sterling				
Not later than one year	**–**	0.6222	**–**	185
Total	**–**	0.6222	**–**	185
Forward contracts – sell UK pounds sterling/buy US dollars				
Not later than one year	**0.5571**	0.6232	**161**	46
Later than one year but not later than two years	**0.5726**	0.6483	**17**	8
Total	**0.5586**	0.6267	**178**	54
Forward contracts – sell US dollars/buy South African rand				
Not later than one year	**7.3677**	7.7743	**23**	58
Later than one year but not later than two years	**7.7686**	–	**12**	–
Later than two years but not later than three years	**8.1950**	–	**1**	–
Total	**7.5137**	7.7743	**36**	58
Forward contracts – sell South African rand/buy US dollars				
Not later than one year	**6.9940**	–	**45**	–
Total	**6.9940**	–	**45**	–

29 Financial instruments continued

	Weighted average A$/US$ exchange rate **2004** **A$ Call options**	**2004** **A$ Put options**	Weighted average A$/US$ exchange rate 2003 A$ Call options	2003 A$ Put options	Contract amounts **2004** **US$M**	2003 US$M
Foreign exchange options – sell US dollars/buy Australian dollars						
Not later than one year	–	–	–	0.6600	–	17
Total	–	–	–	0.6600	–	17

Translational exposure in respect of investments in overseas operations

The functional currency of most BHP Billiton Group operations is US dollars. There are certain operations that have Australian dollars and UK pounds sterling as a functional currency. Foreign currency gains or losses arising on translation of the net assets of these operations are shown as a movement in reserves and in the statement of recognised gains and losses.

Borrowings previously taken out in these currencies, or other borrowings swapped into these currencies, provided a natural hedge of the net foreign currency assets. These borrowings have since been swapped into US dollars.

In addition, where market conditions make it beneficial, the Group will borrow in currencies which would create translational exposure and will swap the liability into appropriate currency.

Translational exposure in respect of non-functional currency monetary items

Monetary items denominated in currencies other than the functional currency of an operation are periodically restated to US dollar equivalents, and the associated gain or loss is taken to the profit and loss account, with the exception of foreign exchange gains or losses on foreign currency provisions for restoration and rehabilitation which are capitalised in tangible fixed assets. These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

The combined interest rate and foreign currency risk table shows the foreign currency risk in relation to financial assets and liabilities. However, this table includes financial assets and liabilities in US dollars and other currencies that represent the functional currency of the operations. In addition, the financial assets and liabilities primarily relate to contractual rights and obligations, and so exclude significant monetary items such as provisions for deferred taxation and employee benefits.

The table below shows the foreign currency risk based on all monetary assets and liabilities in currencies other than the functional currency of the BHP Billiton operations. The amounts shown are after taking into account the effect of any forward foreign currency contracts entered into to manage these risks and excluding provisions for restoration and rehabilitation.

	Net foreign currency monetary assets/(liabilities)					
2004	US$ US$M	A$ US$M	C$ US$M	SA rand US$M	Other US$M	Total US$M
Functional currency of Group operation						
US dollars	**–**	**(1 240)**	**(477)**	**(932)**	**(198)**	**(2 847)**
Australian dollars	**29**	**–**	**–**	**–**	**–**	**29**
Canadian dollars	**43**	**–**	**–**	**–**	**–**	**43**
UK pounds sterling	**(23)**	**–**	**–**	**–**	**–**	**(23)**
Other	**–**	**–**	**–**	**–**	**–**	**–**
	49	**(1 240)**	**(477)**	**(932)**	**(198)**	**(2 798)**

2003	US$ US$M	A$ US$M	C$ US$M	SA rand US$M	Other US$M	Total US$M
	Net foreign currency monetary assets/(liabilities)					
Functional currency of Group operation						
US dollars	–	(1 399)	(203)	(1 089)	(261)	(2 952)
Australian dollars	21	–	–	–	–	21
Canadian dollars	30	–	–	–	–	30
UK pounds sterling	(23)	(1)	–	–	–	(24)
Other	–	–	–	6	–	6
	28	(1 400)	(203)	(1 083)	(261)	(2 919)

The South African rand monetary liabilities include borrowings raised in a variety of currencies, including US dollars and Euros, which, as a result of South African exchange control regulations, were subsequently swapped through forward exchange contracts into South African rand.

Substantial portions of the non-functional currency liabilities of US dollar functional currency operations relate to provisions for deferred taxation and employee benefits.

Liquidity risk

The US$1.25 billion 364-day revolving credit component of the US$2.5 billion syndicated multi-currency revolving credit facility that was due for expiry in September 2003 was extended for a further period of 364 days to September 2004. The US$1.25 billion term component of the US$2.5 billion syndicated multi-currency revolving credit facility expires in September 2006.

In November 2003, Standard & Poor's upgraded the BHP Billiton Group's long-term credit rating to A+ from A (the short-term credit rating is A-1).

In May 2004, Moody's Investor Services changed the outlook of the Group's A2 long-term credit rating to positive from stable (the short-term credit rating is P-1).

The BHP Billiton Group's strong credit profile, diversified funding sources and committed credit facilities ensure that sufficient liquid funds are maintained to meet its daily cash requirements.

The BHP Billiton Group's policy on counterparty credit exposures ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

The BHP Billiton Group's liquidity risk for derivatives arises from the possibility that a market for derivatives might not exist in some circumstances. To counter this risk the BHP Billiton Group only use derivatives in highly liquid markets.

The maturity profile of the Group's financial liabilities is as follows:

2004	Bank loans, debentures and other loans US$M	Obligations under finance leases US$M	Subsidiary preference shares US$M	Other liabilities US$M	Total US$M
Due for payment					
In one year or less or on demand	**1 125**	**9**	**–**	**2 943**	**4 077**
In more than one year but not more than two years	**908**	**2**	**300**	**114**	**1 324**
In more than two years but not more than five years	**1 539**	**10**	**150**	**–**	**1 699**
In more than five years	**2 489**	**55**	**–**	**280**	**2 824**
	6 061	**76**	**450**	**3 337**	**9 924**

29 Financial instruments continued

2003	Bank loans, debentures and other loans US$M	Obligations under finance leases US$M	Subsidiary preference shares US$M	Other liabilities US$M	Total US$M
Due for payment					
In one year or less or on demand	1 032	4	–	2 463	3 499
In more than one year but not more than two years	663	49	–	118	830
In more than two years but not more than five years	2 142	–	450	–	2 592
In more than five years	2 984	–	–	230	3 214
	6 821	53	450	2 811	10 135

	2004 US$M	2003 US$M
Loans falling due after more than five years are repayable as follows:		
By instalments	**453**	529
Not by instalments	**2 036**	2 455
	2 489	2 984

At 30 June 2004 borrowings of US$157 million (2003: US$66 million) and US$502 million (2003: US$601 million) due within and after more than one year respectively were secured by assets of the BHP Billiton Group.

The maturity profile of the BHP Billiton Group's undrawn committed facilities is as follows:

	2004 US$M	2003 US$M
Expiring in one year or less	**1 250**	1 250
Expiring in more than one year [(a)]	**1 250**	2 112
	2 500	3 362

(a) This represents Tranche B of the Group's US$2.5 billion syndicated multi-currency revolving credit facility which is used to support the commercial paper programs of the Group. The commercial paper programs were undrawn at 30 June 2004 (2003: US$138 million).

None of the BHP Billiton Group's general borrowing facilities are subject to financial covenants. Certain specific financing facilities in relation to specific businesses are the subject of financial covenants which vary from facility to facility but which would be considered normal for such facilities.

Commodity price risk
The BHP Billiton Group is exposed to movements in the prices of the products it produces and sources from third parties which are generally sold as commodities on the world market.

Commodity price risk is managed pursuant to the Portfolio Risk Management strategy and within the overall CFaR limit. Strategic price hedges are taken out from time to time.

The following table provides information about the BHP Billiton Group's material cash settled commodity contracts, which have not been recognised in the accounts.

Contract amounts are used to calculate the volume and average price to be exchanged under the contracts.

29 Financial instruments continued

	Volume 2004	Volume 2003	Units	Average price of fixed contract 2004 US$	Average price of fixed contract 2003 US$	Term to maturity (months)	Notional amount of fixed contract [(a)] 2004 US$M	Notional amount of fixed contract [(a)] 2003 US$M
Aluminium								
Forwards – buy fixed/ sell floating [(b)]	**507**	792	000 tonnes	**1 578**	1 397	0–12	**800**	1 106
	52	112	000 tonnes	**1 494**	1 435	13–24	**78**	161
	23	50	000 tonnes	**1 425**	1 420	25–48	**33**	71
	–	1	000 tonnes	**–**	1 420	49–72	**–**	1
Forwards – sell fixed/ buy floating [(b)]	**622**	826	000 tonnes	**1 597**	1 393	0–12	**993**	1 151
	32	127	000 tonnes	**1 449**	1 421	13–24	**46**	180
	14	35	000 tonnes	**1 428**	1 416	25–48	**20**	50
	–	1	000 tonnes	**–**	1 393	49–72	**–**	1
Copper								
Forwards – buy fixed/ sell floating [(b)]	**91**	37	000 tonnes	**2 560**	1 675	0–12	**233**	62
	26	–	000 tonnes	**2 249**	–	13–24	**58**	–
	5	–	000 tonnes	**2 070**	–	25–48	**10**	–
Forwards – sell fixed/ buy floating [(b)]	**96**	52	000 tonnes	**2 538**	1 661	0–12	**244**	87
	19	–	000 tonnes	**2 228**	–	13–24	**42**	–
	5	–	000 tonnes	**2 018**	–	25–48	**10**	–
Zinc								
Forwards – buy fixed/ sell floating [(b)]	**23**	10	000 tonnes	**1 086**	794	0–12	**25**	8
	12	–	000 tonnes	**1 110**	–	13–24	**13**	–
	4	–	000 tonnes	**1 060**	–	25–48	**4**	–
Forwards – sell fixed/ buy floating [(b)]	**18**	17	000 tonnes	**1 075**	804	0–12	**19**	14
	12	–	000 tonnes	**1 066**	–	13–24	**13**	–
	4	–	000 tonnes	**1 083**	–	25–48	**4**	–
Lead								
Forwards – buy fixed/ sell floating [(b)]	**28**	25	000 tonnes	**843**	466	0–12	**24**	11
Forwards – sell fixed/ buy floating [(b)]	**19**	65	000 tonnes	**715**	470	0–12	**14**	31
	–	8	000 tonnes	**–**	488	13–24	**–**	4
Silver								
Forwards – buy fixed/ sell floating [(b)]	**5 075**	1 650	000 ounces	**5.90**	4.73	0–12	**30**	8
Forwards – sell fixed/ buy floating [(b)]	**600**	7 475	000 ounces	**5.86**	4.70	0–12	**4**	35
Petroleum								
Forwards – buy fixed/ sell floating [(b)]	**5 819**	8 668	000 barrels	**31.19**	25.45	0–12	**182**	221
	797	–	000 barrels	**29.80**	–	13–24	**24**	–
	500	–	000 barrels	**26.08**	–	25–48	**13**	–
Forwards – sell fixed/ buy floating [(b)]	**5 631**	8 690	000 barrels	**33.09**	25.49	0–12	**186**	221
	1 222	–	000 barrels	**30.13**	–	13–24	**37**	–
	527	–	000 barrels	**26.43**	–	25–48	**14**	–

29 Financial instruments continued

	Volume 2004	Volume 2003	Units	Average price of fixed contract 2004 US$	Average price of fixed contract 2003 US$	Term to maturity (months)	Notional amount of fixed contract [a] 2004 US$M	Notional amount of fixed contract [a] 2003 US$M
Energy Coal								
Forwards – buy fixed/ sell floating [b]	**20 070**	20 451	000 tonnes	**49.92**	34.49	0–12	**1 002**	705
	4 740	5 820	000 tonnes	**55.50**	36.32	13–24	**263**	211
	600	870	000 tonnes	**62.19**	35.88	25–48	**37**	31
Forwards – sell fixed/ buy floating [b]	**20 765**	23 515	000 tonnes	**50.24**	34.39	0–12	**1 043**	809
	5 385	7 035	000 tonnes	**53.70**	34.81	13–24	**289**	245
	1 020	735	000 tonnes	**54.67**	31.99	25–48	**56**	24
Purchased calls	**–**	105	000 tonnes	**–**	33.71	0–12	**–**	4
Sold puts	**–**	270	000 tonnes	**–**	32.11	0–12	**–**	9
Sold calls	**–**	645	000 tonnes	**–**	33.83	0–12	**–**	22
Gas								
Forwards (buy)	**272 483**	501 789	000 therms	**0.42**	0.34	0–12	**114**	171
	27 500	9 200	000 therms	**0.33**	0.29	13–24	**9**	3
	–	18 300	000 therms	**–**	0.28	25–48	**–**	5
Forwards (sell)	**271 136**	532 962	000 therms	**0.42**	0.34	0–12	**114**	181
	27 500	36 700	000 therms	**0.34**	0.29	13–24	**9**	11
Electricity								
Forwards (buy)	**29 157**	10 641	000 MwH	**37.66**	30.79	0–12	**1 098**	328
	6 105	4 706	000 MwH	**39.71**	33.31	13–24	**242**	157
	450	2 086	000 MwH	**44.04**	32.10	25–48	**20**	67
Forwards (sell)	**29 293**	12 413	000 MwH	**37.91**	30.65	0–12	**1 111**	380
	6 100	4 902	000 MwH	**40.45**	31.84	13–24	**247**	156
	472	687	000 MwH	**45.79**	36.11	25–48	**22**	25
Freight Transport and Logistics								
Forwards – buy fixed/ sell floating [b]	**2 635**	3 550	days	**18 347**	12 256	0–12	**48**	44
	733	1 104	days	**23 462**	10 417	13–24	**17**	12
	184	–	days	**11 250**	–	25–48	**2**	–
Forwards – sell fixed/ buy floating [b]	**2 769**	3 499	days	**20 627**	11 791	0–12	**56**	41
	733	920	days	**26 380**	10 680	13–24	**19**	10
Sold puts	**184**	–	days	**9 400**	–	0–12	**2**	–
Forwards – buy fixed/ sell floating [b]	**2 025**	5 874	000 tonnes	**10.95**	8.77	0–12	**22**	52
	–	1 275	000 tonnes	**–**	6.63	13–24	**–**	8
Forwards – sell fixed/ buy floating [b]	**1 950**	4 974	000 tonnes	**11.83**	8.82	0–12	**23**	44
	–	1 200	000 tonnes	**–**	6.84	13–24	**–**	8

[a] The notional amount represents the face value of each transaction and accordingly expresses the volume of these transactions, but is not a measure of exposure.
[b] Floating commodity prices in future periods will be based on the benchmarks applicable at the time of the price reset.

Credit risk
Credit risk in relation to business trading activities arises from the possibility that counterparties may not be able to settle obligations to the BHP Billiton Group within the normal terms of trade. To manage this risk the BHP Billiton Group periodically assesses the financial viability of counterparties.

Credit risk for derivatives represents the risk of counterparties defaulting on their contractual derivative obligations and is managed by the application of credit approvals, limits and monitoring procedures.

The extent of the BHP Billiton Group's combined trade and derivative credit risk exposure is represented by the aggregate of amounts receivable, reduced by the effect of netting arrangements with financial institution counterparties.

These risks are categorised under the following headings:

Counterparties
The BHP Billiton Group conducts transactions with the following major types of counterparties:

- *Receivables counterparties*
  Sales to BHP Billiton Group customers are made either on open terms or subject to independent payment guarantees. The BHP Billiton Group has no significant concentration of credit risk with any single customer or group of customers.

- *Payment guarantee counterparties*
  These counterparties are comprised of prime financial institutions. Under payment guarantee arrangements, the BHP Billiton Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

- *Hedge counterparties*
  Counterparties to derivatives consist of a large number of prime financial institutions and physical participants in the relevant markets. The BHP Billiton Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

The BHP Billiton Group generally does not require collateral in relation to the settlement of financial instruments.

Geographic
The BHP Billiton Group trades in all major geographic regions and where appropriate export finance insurance and other risk mitigation facilities are utilised to ensure settlement. Countries in which the BHP Billiton Group has a significant credit exposure are South Africa, Australia, the US, Japan and others including South Korea, China, Taiwan, the UK, the rest of Europe, South East Asia, New Zealand and South America.

Terms of trade are continually monitored by the BHP Billiton Group.

Selective receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and the Australian Export Finance and Insurance Corporation.

Industry
The BHP Billiton Group is not materially exposed to any individual industry or customer.

29 Financial instruments continued

Hedging of financial risks

Changes in the fair value of instruments used as hedges are not recognised in profit and loss until the hedged position matures. Cumulative unrecognised gains and losses on the instruments used for hedging foreign currency transaction exposures and commodity price risks and the movements therein are as follows:

	Gains 2004 US$M	Losses 2004 US$M	Net gains/(losses) 2004 US$M	Gains 2003 US$M	Losses 2003 US$M	Net gains/(losses) 2003 US$M
Opening balance unrecognised gains/(losses)	**104**	**(17)**	**87**	–	(175)	(175)
(Gains)/losses arising in previous years recognised in the year	**(94)**	**16**	**(78)**	–	139	139
Gains/(losses) arising in prior years and not recognised	**10**	**(1)**	**9**	–	(36)	(36)
Gains/(losses) arising in the year and not recognised	**7**	**(93)**	**(86)**	104	19	123
Closing balance unrecognised gains/(losses) [(a)]	**17**	**(94)**	**(77)**	104	(17)	87
of which:						
Gains/(losses) expected to be recognised within one year	**7**	**(65)**	**(58)**	94	(16)	78
Gains/(losses) expected to be recognised after one year	**10**	**(29)**	**(19)**	10	(1)	9
	17	**(94)**	**(77)**	104	(17)	87

(a) Full recognition will not appear in the profit and loss account as US$26 million loss (2003: US$56 million gain) will be capitalised into fixed assets.

Cumulative unrecognised gains and losses on instruments used to manage interest rate risk and the movements therein are as follows:

	Forward currency swaps 2004 US$M	CCIRS interest component 2004 US$M	Interest rate swaps 2004 US$M	Finance lease swap [(a)] 2004 US$M	Forward currency swaps 2003 US$M	CCIRS interest component 2003 US$M	Interest rate swaps 2003 US$M	Finance lease swap [(a)] 2003 US$M
Opening balance unrecognised gains	**11**	**36**	**41**	**2**	31	26	10	2
(Gains)/losses arising in previous years recognised in the year	**(7)**	**–**	**–**	**(1)**	(13)	(20)	–	1
Gains arising in prior years and not recognised	**4**	**36**	**41**	**1**	18	6	10	3
Gains/(losses) arising in the year and not recognised	**(4)**	**(14)**	**(101)**	**–**	(7)	30	31	(1)
Closing balance unrecognised gains/(losses)	**–**	**22**	**(60)**	**1**	11	36	41	2
of which:								
Gains/(losses) expected to be recognised within one year	**–**	**(42)**	**(30)**	**–**	7	–	–	1
Gains/(losses) expected to be recognised after one year	**–**	**64**	**(30)**	**1**	4	36	41	1
	–	**22**	**(60)**	**1**	11	36	41	2

(a) Included within the book value of short-term and long-term liabilities are finance leases which have been swapped from a fixed interest rate to a floating interest rate and from a ten-year term to a five-year term. The book value of these lease swaps is US$24 million (2003: US$15 million). The effect of the swap is to match the initial lease obligation by receiving payments over a ten-year period at a fixed rate and making payments on a floating rate over five years. For the purpose of the disclosures, the book value of the finance leases is shown as it would be excluding the effect of the finance lease swap. The fair value disclosures relate only to the swapped components and reflect the fact that the swap receivable is subject to a fixed rate.

Fair value of financial instruments

The following table presents the book values and fair values of the BHP Billiton Group's financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the BHP Billiton Group could realise in the normal course of business.

The fair value of the BHP Billiton Group's financial instruments is as follows:

	Book value **2004** **US$M**	Fair value **2004** **US$M**	Book value 2003 US$M	Fair value 2003 US$M
Primary and derivative financial instruments held or issued to finance the BHP Billiton Group's operations				
Short-term borrowings	**(1 134)**	**(1 134)**	(1 036)	(1 036)
Long-term borrowings	**(5 876)**	**(6 113)**	(6 617)	(7 171)
Cross currency contracts				
Principal	**399**	**399**	314	314
Interest rate	**43**	**65**	30	77
Other liabilities to be settled in cash	**(3 410)**	**(3 410)**	(2 867)	(2 867)
Finance lease swap	**24**	**25**	15	17
Interest rate swaps	**30**	**(30)**	7	48
Cash and money market deposits	**1 818**	**1 818**	1 552	1 552
Loans to joint ventures and associates	**238**	**238**	293	293
Current asset investments	**167**	**167**	143	143
Fixed asset investments	**123**	**202**	148	153
Investment in exploration companies (refer note 15)	**–**	**19**	–	11
Other assets to be settled in cash	**3 121**	**3 121**	2 562	2 562
Forward foreign currency contracts	**–**	**–**	19	19
Derivative financial instruments held to hedge the BHP Billiton Group's exposure on expected future sales and capital and operating purchases				
Forward commodity contracts	**–**	**(47)**	–	(8)
Forward foreign currency contracts	**–**	**(30)**	–	95
	(4 457)	**(4 710)**	(5 437)	(5 798)

For the purposes of the disclosures in the table above, the book value of the foreign currency assets and liabilities is shown excluding the effect of foreign currency hedges.

30 Related parties

BHP Billiton Group companies have trading relationships with a number of joint ventures and associates of the BHP Billiton Group. In some cases there are contractual arrangements in place under which the BHP Billiton Group companies source supplies from such undertakings, or such undertakings source supplies from the BHP Billiton Group companies. In the year ended 30 June 2004, sales made by BHP Billiton Group entities to such joint ventures and associates amounted to US$12 million (2003: US$32 million).

Amounts owing between the BHP Billiton Group and joint ventures and associates are disclosed in note 15.

It is Group policy that all transactions with joint ventures and associates are conducted in the normal course of business and under normal commercial terms and conditions.

The details of executive Directors' remuneration and interests in long-term incentive plans, including the number of Shares and Options awarded during the year ended 30 June 2004, are included in the Remuneration Report. Details in relation to Directors' share interests are included in the Directors' Report.

Transactions with Director-related entities
A number of Directors or former Directors of BHP Billiton hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. One of those entities, Wesfarmers (Group) Limited, is considered to be a Director-related entity of M A Chaney. This company provided products and services totalling US$18.7 million (2003:US$5.0 million) to the Group in the financial year, in accordance with normal commercial terms and conditions. At 30 June 2004 the Group owed US$0.5 million.

Other Director transactions with BHP Billiton Group entities
Other transactions include:

- minor purchases of products and stores; and
- insurance with BHP Billiton Group insurance companies.

All these transactions (which were trivial in amount) were conducted on conditions no more beneficial than those available to other employees.

Following the termination of his employment on 1 July 2002, Mr Anderson entered into a consultancy arrangement with the BHP Billiton Group under which he agreed to act as a consultant to the Group for two years commencing at the time he ceased to be a Director. Mr Anderson received a total fee in 2004 of US$71 334 (2003: US$104 739) under this arrangement.

31 Specified executives

The information in this section relates to those executives (other than executive Directors and numbering at least five) who have the greatest authority for managing the BHP Billiton Group ('specified executives') during the current year.

Remuneration
The details of remuneration of specified executives are included in the Remuneration Report.

Share and Option plans
The following tables set out details of the specified executives' interests in long-term incentive plans including the number of shares and options awarded in the financial year ended 30 June 2004. Details on the long-term incentive plans of Robert Kirkby relate to the period from 16 March 2004, the date he became a specified executive. No options held by specified executives are vested but not exercisable, except where stated.

Employee Share Plan 1999

	BHP Billiton Limited Ordinary Shares under option							
Name	At 1 July 2003	Granted	Exercised	Lapsed	**At 30 June 2004**	Exercise price [(a)]	First exercise date	Expiry date
P S Aiken [(b)]	516 275	–	516 275	–	**–**	A$6.92	23 April 2002	22 April 2009
J C Fast [(c)]	413 020	–	413 020	–	**–**	A$8.61	23 April 2002	22 April 2009
Total	929 295	–	929 295	–	**–**			

(a) Represents the exercise price payable on options.
(b) The market price on the date of exercise (2 September 2003) was approximately A$11.23. The aggregate gain was A$2 225 268.
(c) The market price on the date of exercise (6 April 2004) was approximately A$12.53. The aggregate gain was A$1 619 140.

31 Specified executives continued

Group Incentive Scheme 2003 Deferred Shares

Name	At 1 July 2003	Granted [a]	Vested	Lapsed [b]	At 30 June 2004	Vesting date
	Ordinary Shares under award					
P S Aiken [c]	–	69 815	–	–	**69 815**	August 2005
J C Fast [c]	–	54 782	–	–	**54 782**	August 2005
R W Kirkby [c]	–	58 031 [d]	–	–	**58 031**	August 2005
Dr M J Kloppers [e]	–	55 378	–	–	**55 378**	August 2005
C J Lynch [c]	–	61 010	–	–	**61 010**	August 2005
D J Munro [e]	–	49 307	–	49 307	**–**	August 2005
Total	–	348 323	–	49 307	**299 016**	

[a] The market price of BHP Billiton Limited shares and BHP Billiton Plc shares on date of grant (21 November 2003) was A$10.76 and £4.32 respectively. The fair market value per Deferred Share was estimated at A$10.03 and £3.98 respectively.
[b] Shares lapsed on D J Munro's resignation, in accordance with the rules of the GIS.
[c] Granted BHP Billiton Limited awards.
[d] Shares granted represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.
[e] Granted BHP Billiton Plc awards.

Group Incentive Scheme 2003 Performance Shares

Name	At 1 July 2003	Granted [a]	Vested	Lapsed [b]	At 30 June 2004	Vesting date
	Ordinary Shares under award					
P S Aiken [c]	–	69 815	–	–	**69 815**	August 2006
J C Fast [c]	–	54 782	–	–	**54 782**	August 2006
R W Kirkby [c]	–	58 031 [d]	–	–	**58 031**	August 2006
Dr M J Kloppers [e]	–	55 378	–	–	**55 378**	August 2006
C J Lynch [c]	–	61 010	–	–	**61 010**	August 2006
D J Munro [e]	–	49 307	–	49 307	**–**	August 2006
Total	–	348 323		49 307	**299 016**	

[a] The market price of BHP Billiton Limited shares and BHP Billiton Plc shares on date of grant (21 November 2003) was A$10.76 and £4.32 respectively. The fair market value per Performance Share was estimated at A$4.58 and £1.84 respectively.
[b] Shares lapsed on D J Munro's resignation, in accordance with the rules of the GIS.
[c] Granted BHP Billiton Limited awards.
[d] Shares granted represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.
[e] Granted BHP Billiton Plc awards.

Group Incentive Scheme 2002 Performance Shares

Name	At 1 July 2003	Granted [a]	Vested	Lapsed [b]	At 30 June 2004	Vesting date
	Ordinary Shares under award					
P S Aiken	158 118	–	–	–	**158 118**	August 2005
J C Fast	115 921	–	–	–	**115 921**	August 2005
R W Kirkby	110 391 [b]	–	–	–	**110 391**	August 2005
Dr M J Kloppers	119 485	–	–	–	**119 485**	August 2005
C J Lynch	117 117	–	–	–	**117 117**	August 2005
D J Munro	147 263	–	–	147 263	**–**	August 2005
Total	768 295	–	–	147 263	**621 032**	

[a] Shares lapsed on D J Munro's resignation, in accordance with the rules of the GIS.
[b] Shares at 1 July 2003 of 110 391 represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.

31 Specified executives continued

Performance Share Plan 2001

Name	At 1 July 2003	Granted	Vested	Lapsed	**At 30 June 2004**	Vesting date
	BHP Billiton Limited Ordinary Shares under award					
P S Aiken	131 856	–	–	–	**131 856**	1 October 2004
J C Fast	107 093	–	–	–	**107 093**	1 October 2004
R W Kirkby	82 330[(a)]	–	–	–	**82 330**	1 October 2004
C J Lynch	109 559	–	–	–	**109 559**	1 October 2004
Total	430 838	–	–	–	**430 838**	

(a) Shares at 1 July 2003 of 82 330 represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.

Restricted Share Scheme (RSS) 2001

Name	At 1 July 2003	Granted	Vested	Lapsed [(a)]	**At 30 June 2004**	Vesting date
	BHP Billiton Plc Ordinary Shares under award					
Dr M J Kloppers	84 182	–	–	–	**84 182**	1 October 2004
D J Munro	179 645	–	–	179 645	**–**	1 October 2004
Total	263 827	–	–	179 645	**84 182**	

(a) Shares lapsed on D J Munro's resignation, in accordance with the rules of the RSS.

Performance Share Plan 2000

Name	At 1 July 2003	Granted	Vested [(a)]	Lapsed	**At 30 June 2004**	Vesting date
	BHP Billiton Limited Ordinary Shares under award					
P S Aiken	122 621	–	122 621 [(b)]	–	**–**	1 July 2003
J C Fast	96 854	–	96 854 [(c)]	–	**–**	1 July 2003
C J Lynch	61 987	–	61 987 [(d)]	–	**–**	1 July 2003
	43 592	–	–	–	43 592	1 July 2004
Total	325 054	–	281 462	–	43 592	

(a) 75 per cent of the shares vested on 1 July 2003, following the end of the performance period, and the BHP Billiton Limited market price was A$8.56. The remaining 25 per cent vested on 1 September 2003 and the BHP Billiton Limited market price was A$11.00.
(b) The market price on the dates of exercise (3 September 2003 and 26 September 2003) were A$11.07 and A$10.53 respectively. The aggregate gain was A$1 340 861.
(c) The market price on the dates of exercise (3 September 2003 and 22 September 2003) were A$11.07 and A$10.67 respectively. The aggregate gain was A$1 062 232.
(d) The market price on the date of exercise (1 October 2003) was A$10.24. The aggregate gain was A$634 747.

Performance Share Plan (Medium Term Incentive) 2001

Name	At 1 July 2003[(a)]	Granted	Vested	Lapsed[(b)]	**At 30 June 2004**	Vesting date
	BHP Billiton Limited Ordinary Shares under award					
J C Fast	40 671	–	–	4 516	**36 155**	1 October 2005
R W Kirkby	22 597[(c)]	–	–	–	**22 597**	1 October 2005
Total	63 268	–	–	4 516	**58 752**	

(a) Includes 10 042 and 6 277 committed rights invested by J C Fast and R W Kirkby respectively.
(b) The first performance period ceased on 30 September 2003. Based on the performance measured at the end of the first performance period, 60 per cent out of a maximum of 80 per cent matching shares were capable of vesting. The remaining 20 per cent lapsed. Correspondingly, the maximum that can vest at the end of the second performance period has also been reduced. J C Fast and R W Kirkby did not elect to leave the MTI at the end of the first performance period and will remain in the plan until October 2005.
(c) Shares at 1 July 2003 of 22 597 represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.

Co-Investment Plan (CIP) 2001

Name	BHP Billiton Plc Ordinary Shares under award At 1 July 2003[(a)]	Granted	Vested	Lapsed[(b)]	**At 30 June 2004**	Vesting date
Dr M J Kloppers	107 206	–	–	11 911	**95 295**	1 October 2005

[(a)] Includes 26 471 committed shares invested by M J Kloppers.
[(b)] The first performance period ceased on 30 September 2003. Based on the performance measured at the end of the first performance period, 60 per cent out of a maximum of 80 per cent matching shares were capable of vesting. The remaining 20 per cent lapsed. Correspondingly, the maximum that can vest at the end of the second performance period has also been reduced. M J Kloppers did not elect to leave the CIP at the end of the first performance period and will remain in the plan until October 2005.

Bonus Equity Share Plan 2001

Name	BHP Billiton Limited Ordinary Shares under award At 1 July 2003	Granted	Vested	Lapsed	**At 30 June 2004**	Release date
P S Aiken	77 404	–	–	–	**77 404**	November 2004
C J Lynch	18 692	–	–	–	**18 692**	November 2004
Total	96 096	–	–	–	**96 096**	

Partly Paid Shares

R W Kirkby	BHP Billiton Limited Ordinary Shares under award At 16 March 2004[(a)]	Granted	Exercised	Lapsed	**At 30 June 2004**	Unpaid amount[(b)]	First exercise date	Expiry date
ESS 1997	74 964	–	–	–	**74 964**	A$6.83	n/a	1 October 2017
ESS 1996	107 090	–	–	–	**107 090**	A$6.94	n/a	2 October 2016
ESS 1995	72 279	–	–	–	**72 279**	A$8.17	n/a	4 October 2015
ESS 1994	108 255	–	–	–	**108 255**	A$8.43	n/a	4 October 2014
Total	362 588	–	–	–	**362 588**			

[(a)] Includes accrued bonus shares to be issued upon conversion of partly paid shares. Shares at 16 March 2004 represent the balance of awards held by R W Kirkby on the date he became a specified executive.
[(b)] Represents the final call payable upon conversion of partly paid shares held at 30 June 2004, adjusted for bonus issues.

No options have been granted since the end of the financial year.

Further information on options and rights, including grant dates and exercise dates regarding options granted to executives under the employee share ownership plan, is set out in note 23.

32 Contingent liabilities

	2004 US$M	2003 US$M
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from:		
Joint ventures (unsecured)		
Other [(a)]	**93**	128
	93	128
Subsidiary undertakings (unsecured, including guarantees)		
Group guarantees of borrowings of joint ventures	**–**	398
Bank guarantees [(b)]	**–**	–
Performance guarantees [(b)]	**1**	70
Letter of credit	**–**	2
Other [(a)]	**144**	177
	145	647
Total contingent liabilities	**238**	775

(a) Other contingent liabilities relate predominantly to actual or potential litigation of the Group for which amounts are reasonably estimable but the liability is not probable and therefore the Group has not provided for such amounts in these accounts. The amounts relate to a number of actions against the Group, none of which are individually significant. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been included in the table above. Details of the principal legal claims are set out in note 21.

(b) The BHP Billiton Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance in the normal course of business.

33 BHP Billiton Plc (unconsolidated parent company)

BHP Billiton Plc (the parent company) is exempt from presenting its own profit and loss account in accordance with section 230 of the Companies Act 1985. BHP Billiton Plc is required to present its unconsolidated balance sheet and certain notes to the balance sheet on a stand-alone basis as at 30 June 2004 and 2003 as follows:

BHP Billiton Plc (unconsolidated parent company) balance sheet

	BHP Billiton Plc **2004** **US$M**	2003 (Restated) US$M
Fixed assets		
Investments		
Subsidiaries (a)	**3 131**	3 030
	3 131	3 030
Current assets		
Debtors – amounts due within one year (b)	**382**	318
Cash including money market deposits	**1**	1
	383	319
Creditors – amounts falling due within one year (c)	**(1 142)**	(950)
Net current liabilities	**(759)**	(631)
Total assets less current liabilities	**2 372**	2 399
Provisions for liabilities and charges (d)	**(12)**	(21)
Net assets	**2 360**	2 378
Capital and reserves		
Called up share capital – BHP Billiton Plc (refer note 22)	**1 234**	1 234
Share premium account (e)	**518**	518
Profit and loss account (e)	**608**	626
Equity shareholders' funds (f)	**2 360**	2 378

The BHP Billiton Plc unconsolidated parent company financial statements were approved by the Board of Directors on 1 September 2004 and signed on its behalf by:

Don Argus
Chairman

Charles Goodyear
Chief Executive Officer

33 BHP Billiton Plc (unconsolidated parent company) continued

Notes to the BHP Billiton Plc (unconsolidated parent company) balance sheet

(a) During the year the Company contributed additional capital of US$101 million to its sole subsidiary. At 30 June 2004 the Company held an investment of US$3 131 million (2003: US$3 030 million) in BHP Billiton Group Ltd.

(b) Debtors – amounts due within one year

	BHP Billiton Plc **2004** **US$M**	2003 US$M
Amounts owed by Group undertakings	**381**	300
Other debtors	**1**	4
Tax recoverable	**–**	14
	382	318

(c) Creditors – amounts falling due within one year

	BHP Billiton Plc **2004** **US$M**	2003 US$M
Bank overdraft	**224**	100
Amounts owed to Group undertakings	**681**	656
Accruals and deferred income	**3**	9
Dividends payable	**234**	185
	1 142	950

The audit fee payable in respect of the audit of the BHP Billiton Plc company financial statements was a nominal amount (refer note 7 for fees for the Group as a whole). This has been included within amounts owed to Group undertakings.

(d) Provisions for liabilities and charges

	BHP Billiton Plc **2004** **US$M**	2003 (Restated) US$M
Employee entitlements	**11**	18
Restructuring	**–**	2
Post-retirement medical benefits	**1**	1
	12	21

The movement in employee entitlements of US$7 million represents US$4 million credited to the profit and loss account for bonuses and pension costs, and US$3 million in payments made during the year.

33 BHP Billiton Plc (unconsolidated parent company) continued

(e) Reserves

	BHP Billiton Plc Share premium account 2004 US$M	Profit & loss account 2004 US$M	BHP Billiton Plc Share premium account 2003 US$M	Profit & loss account 2003 (Restated) US$M
At beginning of the financial year	**518**	**626**	592	758
Retained loss for the financial year	**–**	**(49)**	–	(149)
Employee share awards	**–**	**31**	–	17
Bonus shares issued	**–**	**–**	(74)	–
At end of the financial year	**518**	**608**	518	626

Profit and loss account and shareholders' funds have been restated for the impact of the change in accounting policy regarding employee share awards (refer 'Accounting Policies').

Upon the demerger of the BHP Steel business in July 2002 bonus shares of BHP Billiton Plc were issued to BHP Billiton Plc shareholders as a matching action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held).

(f) Reconciliation of movements in shareholders' funds

	BHP Billiton Plc 2004 US$M	2003 (Restated) US$M
Profit for the financial year	**591**	209
Total recognised gains for the financial year	**591**	209
Dividends	**(640)**	(358)
Accrued employee entitlement to share awards	**33**	17
Purchase of shares by ESOP trust	**(2)**	–
Net movement in shareholders' funds	**(18)**	(132)
Shareholders' funds at beginning of the financial year	**2 378**	2 510
Shareholders' funds at end of the financial year	**2 360**	2 378

Parent company guarantees

BHP Billiton Plc has guaranteed certain financing facilities available to subsidiaries. At 30 June 2004 such facilities totalled US$936 million (2003: US$1 016 million) of which US$741 million (2003: US$816 million) was drawn.

Under the terms of a deed poll guarantee BHP Billiton Plc has also guaranteed certain current and future liabilities of BHP Billiton Limited. At 30 June 2004, the guaranteed liabilities amounted to US$3 405 million (2003: US$3 737 million).

BHP Billiton Plc and BHP Billiton Limited have severally, fully and unconditionally guaranteed the payment of the principal of, premium, if any, and interest on the notes, including certain additional amounts which may be payable in respect of the notes issued by BHP Billiton Finance (USA) Ltd on 17 April 2003. BHP Billiton Plc and BHP Billiton Limited have guaranteed the payment of such amount when such amounts become due and payable, whether on an interest payment date, at the stated maturity of the notes, by declaration or acceleration, call for redemption or otherwise. At 30 June 2004, the guaranteed liabilities amounted to US$850 million (2003: US$850 million).

34 US Generally Accepted Accounting Principles disclosures

The financial statements of the BHP Billiton Group are prepared in accordance with UK Generally Accepted Accounting Principles (GAAP). The financial information and reconciliations presented in this note represent the financial information which would be required if US GAAP had been applied instead of UK GAAP.

Reconciliation to US GAAP

The following is a summary of the estimated adjustments to net income for the years ended 30 June 2004, 2003 and 2002 that would be required if US GAAP had been applied instead of UK GAAP. Certain items in the comparative periods have been reclassified to conform to current period disclosures.

		2004 US$M	2003 US$M	2002 US$M
Reconciliation of net income				
Attributable profit as reported under UK GAAP		**3 379**	1 901	1 690
add/(deduct)				
Estimated adjustment required to accord with US GAAP:				
Fair value adjustment on acquisition of BHP Billiton Plc Group – depreciation, amortisation, impairments and other asset movements	(A)	**(702)**	(181)	(454)
Employee compensation costs	(B)	**53**	31	26
Write-down of assets	(C)	**–**	8	–
Depreciation – write-downs	(C)	**(6)**	(2)	(18)
Depreciation – revaluations	(D)	**5**	5	5
Depreciation – reserves	(E)	**(9)**	(3)	(15)
Fair value accounting for derivatives	(F)	**(281)**	(23)	279
Synthetic debt	(G)	**(11)**	(20)	18
Realised net exchange gains on sale of assets/closure of operations	(H)	**–**	–	84
Exploration, evaluation and development expenditure	(I)	**(64)**	9	(60)
Start-up costs	(J)	**(12)**	3	(2)
Pension plans	(K)	**(4)**	(24)	(12)
Other post-retirement benefits	(L)	**(6)**	5	8
Mozal expansion rights	(M)	**33**	6	22
Employee Share Plan loans	(N)	**(3)**	(8)	(16)
Goodwill	(O)	**(1)**	2	–
Profit on asset sales	(P)	**1**	2	2
BHP Steel demerger	(Q)	**–**	17	(333)
Restructuring and employee provisions	(R)	**–**	(11)	(55)
Taxation effect of above adjustments	(S)	**194**	118	66
Other taxation adjustments	(T)	**150**	(254)	14
Total adjustment		**(663)**	(320)	(441)
Net income of BHP Billiton Group under US GAAP		**2 716**	1 581	1 249

	2004 US$	2003 US$	2002 US$
Earnings per share – US GAAP [(a)]			
Basic – Continuing Operations [(b)]	**0.44**	0.25	0.25
Diluted – Continuing Operations [(c)]	**0.43**	0.25	0.25
Basic – Discontinued Operations [(b)]	**–**	–	(0.04)
Diluted – Discontinued Operations [(c)]	**–**	–	(0.04)
Basic – net income [(b)]	**0.44**	0.25	0.21
Diluted – net income [(c)]	**0.43**	0.25	0.21

[(a)] For the periods indicated, each American Depositary Share (ADS) represents two ordinary shares. Therefore the earnings per ADS under US GAAP is a multiple of two from the above earnings per share disclosures.
[(b)] Based on the weighted average number of ordinary shares on issue for the period. (Refer note 12.)
[(c)] Based on the weighted average number of ordinary shares on issue for the period, adjusted to reflect the impact of the conversion of all dilutive potential ordinary shares to ordinary shares. (Refer note 12.)

The following reconciliation of comprehensive income reports changes in shareholders' equity excluding those resulting from investments by shareholders and distributions to shareholders.

		2004 US$M	2003 US$M	2002 US$M
Reconciliation of comprehensive income				
Total changes in equity other than those resulting from transactions with owners under UK GAAP		**3 427**	1 968	1 715
Adjustments to reflect comprehensive income in accordance with US GAAP, net of income tax:				
Total adjustment to net income per above reconciliation		**(663)**	(320)	(441)
Reclassification adjustment for net exchange gains		**–**	–	(84)
Net transfer to earnings on maturity of cash flow hedging instruments		**50**	221	148
Minimum pension liability	(K)	**81**	(195)	–
Change in fair value of listed investments	(U)	**9**	1	5
Comprehensive income under US GAAP		**2 904**	1 675	1 343
Tax benefit/(expense) of other comprehensive income items for the year:				
Movements in exchange fluctuation account		**–**	(2)	1
Net transfer to earnings on maturity of cash flow hedging instruments		**(22)**	(95)	(63)
Minimum pension liability		**(11)**	33	–
Accumulated other comprehensive income comprises:				
Exchange fluctuation account		**410**	362	387
Qualifying cash flow hedging instruments		**–**	(50)	(271)
Minimum pension liability		**(114)**	(195)	–
Other items		**15**	6	5
Total accumulated other comprehensive income		**311**	123	121

34 US Generally Accepted Accounting Principles disclosures continued

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2004 and 30 June 2003 that would be required if US GAAP had been applied instead of UK GAAP. Certain items in the comparative period have been reclassified to conform to current period disclosures.

		2004 US$M	2003 US$M
Reconciliation of shareholders' equity			
Shareholders' equity under UK GAAP		**14 038**	12 091
add/(deduct)			
Estimated adjustment required to accord with US GAAP:			
Fair value adjustments on acquisition of BHP Billiton Plc Group			
Investments	(A)	**962**	1 000
Property, plant and equipment and undeveloped properties	(A)	**2 505**	2 627
Long-term contracts	(A)	**36**	37
Goodwill	(A)	**2 633**	3 171
Long-term debt	(A)	**5**	8
Write-down of assets	(C)	**47**	53
Property, plant and equipment revaluations	(D)	**(53)**	(58)
Reserves	(E)	**(27)**	(18)
Fair value accounting for derivatives	(F)	**(43)**	166
Synthetic debt	(G)	**–**	11
Exploration, evaluation and development expenditure	(I)	**(181)**	(117)
Start-up costs	(J)	**(64)**	(52)
Pension plans	(K)	**(273)**	(361)
Other post-retirement benefits	(L)	**(16)**	(10)
Mozal expansion rights debtor	(M)	**–**	(33)
Employee Share Plan loans	(N)	**(64)**	(71)
Goodwill	(O)	**1**	2
Profit on asset sales	(P)	**(17)**	(18)
Change in fair value of listed investments	(U)	**20**	11
Dividends	(V)	**592**	–
Taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	(A)	**(1 319)**	(1 461)
Taxation effect of all other above adjustments	(S)	**110**	94
Other taxation adjustments	(T)	**(90)**	(240)
Total adjustment		**4 764**	4 741
Shareholders' equity under US GAAP		**18 802**	16 832

US GAAP adjustments

(A) Acquisition of BHP Billiton Plc

On 29 June 2001, BHP Billiton Plc (formerly Billiton Plc) consummated the Dual Listed Companies (DLC) merger with BHP Billiton Limited (formerly BHP Limited). A description of the DLC merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'. In accounting for this transaction, the most significant difference between UK GAAP and US GAAP is that, under UK GAAP, the DLC merger has been accounted for as a merger (pooling of interests) in accordance with UK accounting standard FRS 6 'Acquisitions and Mergers', whereas under US GAAP, the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. The BHP Billiton Limited Group has been identified as the acquirer because of the majority ownership interest of BHP Billiton Limited shareholders in the DLC structure. In a merger, the assets, liabilities and equity of the BHP Billiton Plc Group and of the BHP Billiton Limited Group are combined at their respective book values as determined under UK GAAP.

Under US GAAP purchase accounting, the cost of the acquisition is allocated to the fair values of identifiable assets acquired and liabilities assumed. As a result of the fair value exercise, increases in the values of the BHP Billiton Plc Group's inventory, investments, long-term contracts and long-term debt were recognised and fair market values attributed to their other tangible assets mainly property, plant and equipment and undeveloped properties, together with appropriate deferred taxation effects. The difference between the cost of acquisition and the fair value of the assets and liabilities of the BHP Billiton Plc Group has been recorded as goodwill. Fair value adjustments to the recorded amount of inventory and long-term contracts are expensed in the period the inventory is utilised and the long-term contracts are delivered into. Additional amortisation and depreciation are recorded in respect of the fair value adjustments of intangible and tangible assets and until 30 June 2002, the resulting goodwill over the periods of their respective useful economic lives. With effect from 1 July 2002, goodwill is no longer amortised and is tested for impairment annually at 31 March. Included in this adjustment for the year ended 30 June 2004 are goodwill impairments of US$491 million (refer to 'Goodwill and other intangible assets' below).

The adjustments to the assets and liabilities of the BHP Billiton Plc Group to reflect the fair values and allocation of the excess purchase consideration over the fair value of net assets acquired, based on management's best estimates of fair value, are summarised in the shareholders' equity reconciliation.

(B) Employee compensation costs

Under UK GAAP, the expected cost of employee share awards is measured as the difference between the award exercise price and the market price of ordinary shares at the grant date, and is amortised over the vesting period. Under US GAAP, for the year ended 30 June 2002, the Group accounted for employee ownership plans under the recognition and measurement provisions of APB Opinion No. 25 'Accounting for Stock Issued to Employees', and related Interpretations. In 2003, the Group adopted the fair value recognition provisions of Statement of Financial Accounting Standard No. 123, 'Accounting for Stock-Based Compensation' (SFAS 123).

Fair value is determined using a Black-Scholes option-pricing model. Refer to 'Employee compensation costs' below for significant assumptions used in applying this option-pricing model to calculate the employee compensation expense under SFAS 123. The variations in deemed vesting periods under UK GAAP and US GAAP has resulted in further differences.

(C) Write-down of assets

Under UK GAAP, the BHP Billiton Group determines the recoverable amount of property, plant and equipment on a discounted basis when assessing impairments. The discount rate is a risk-adjusted market rate, which is applied both to determine impairment and to calculate the write-down. Under US GAAP, where an asset is reviewed for impairment, an impairment test is required utilising undiscounted cash flows. If the asset's carrying value exceeds the sum of undiscounted future cash flows, the asset is considered impaired and it is written down to its fair value (based on discounted cash flows). These differences result in lower charges to the profit and loss account and higher asset values for the write-downs calculated under US GAAP. In subsequent financial periods, the difference in asset carrying values is reduced through the inclusion of additional depreciation charges in the profit and loss account under US GAAP.

(D) Depreciation – revaluations

Revaluations of property, plant and equipment and investments have resulted in upward adjustments to the historical cost values reflected in a revaluation reserve, which is part of total equity. In the case of property, plant and equipment, the depreciation charged against income increases as a direct result of such a revaluation. Since US GAAP does not permit property, plant and equipment to be valued at above historical cost, the depreciation charge has been restated to reflect depreciation based on historical cost.

(E) Depreciation – reserves

The BHP Billiton Group prepares mineral reserve statements based on the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the JORC Code). The Supplementary Ore Reserves information contained in the Annual Report differs in certain respects from that reported to the SEC, which is prepared with reference to the SEC's Industry Guide 7. This adjustment reflects the impact on depreciation of the difference in reserves measurement basis.

(F) Fair value accounting for derivatives

Under UK GAAP, when undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both matured and unmatured transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of a transaction will be included in the profit and loss account whether or not the derivative is terminated. When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a) included in the measurement of the anticipated transaction when it occurs; or

(b) included in the profit and loss account where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in other assets and are deferred and included in the settlement of the underlying transaction. When undertaking strategic

34 US Generally Accepted Accounting Principles disclosures continued

or opportunistic financial transactions, all gains and losses are included in the profit and loss account at the end of each reporting period. The premiums paid on strategic financial transactions are included in the profit and loss account at the inception of the contract.

For the purpose of deriving US GAAP information, Statement of Financial Accounting Standards No. 133 'Accounting for Derivative Instruments and Hedging Activities' (SFAS 133) requires that each derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value.

Effective 1 July 2001, for US GAAP purposes, the BHP Billiton Limited Group de-designated existing derivative instruments as hedges of underlying transactions. Amounts previously included in other comprehensive income in relation to those derivative instruments previously designated as cash flow hedges remained until the transactions originally being hedged were recognised, at which time the amounts were taken to the profit and loss account. Movements in the fair value of derivative instruments since 30 June 2001 are taken to the profit and loss account.

The BHP Billiton Plc Group does not apply hedging principles in accordance with SFAS 133 and marks to market all derivative instruments, taking movements in the fair value of derivative instruments to the profit and loss account.

(G) Synthetic debt
An operating subsidiary, whose functional currency is the US dollar, has obtained financing in various foreign currencies. The operating subsidiary entered into forward exchange contracts to fix the exchange rate between the South African rand and the various foreign currencies. In these accounts, the arrangement is treated as a synthetic South African rand debt, which at each period end is retranslated into US dollars at the spot rate with the exchange gain or loss that is recognised being included in the profit and loss account.

Under US GAAP, synthetic debt accounting is not permitted. As a result, the foreign currency loan amounts and forward exchange contracts are accounted for separately. Foreign currency loans are initially recorded at the exchange rate in effect on the date of the borrowing, with gains and losses arising from currency movements taken to the profit and loss account. The forward exchange contracts are marked to market annually with the resulting gain or loss also taken to the profit and loss account.

(H) Realised net exchange gains on sale of assets/closure of operations
Under UK GAAP, net exchange gains or losses reported in shareholders' equity, which relate to assets that have been sold, closed or written down are transferred to retained earnings. US GAAP requires these net exchange gains or losses be recognised in the profit and loss account reflecting that they have, in substance, been realised.

(I) Exploration, evaluation and development expenditure
The BHP Billiton Group follows the 'successful efforts' method under UK GAAP in accounting for petroleum exploration, evaluation and development expenditures. This method differs from the 'successful efforts' method followed by some US companies, and adopted in this reconciliation to US GAAP, in that it permits certain exploration costs in defined areas of interest to be capitalised. Such expenditure capitalised by the BHP Billiton Group is amortised in subsequent years. In respect of minerals properties, the BHP Billiton Group capitalises exploration and evaluation expenditure where it is expected that the expenditure will be recouped by future exploitation or sale or where a mineral resource has been identified but activities have not reached a stage, which permits a reasonable assessment of the existence of commercially recoverable reserves. Under US GAAP, a final feasibility study indicating the existence of commercially recoverable reserves at new exploratory 'greenfield' properties serves as the trigger point for capitalisation. US GAAP permits expenditure to be capitalised for the purposes of extending or further delineating existing reserves. In subsequent financial periods, amortisation or write-offs of expenditure previously capitalised under UK GAAP, which would have been expensed for US GAAP purposes, will be added back when determining the profit result according to US GAAP.

(J) Start-up costs
The BHP Billiton Group capitalises as part of property, plant and equipment, costs associated with start-up activities at new plants or operations which are incurred prior to commissioning date. These capitalised costs are depreciated in subsequent years. Under US GAAP, costs of start-up activities are expensed as incurred.

(K) Pension plans
Under UK GAAP, the net periodic pension cost assessed on an actuarial basis is charged to profit and loss so as to allocate the costs systematically over the employees' service lives.

Consequently, the BHP Billiton Group recognises periodic pension cost based on actuarial advice in a manner generally consistent with US GAAP. However, differences in the actuarial method used to value employee benefit obligations and the timing of recognition of expense components results in different periodic costs and pension assets or liabilities.

Further, under US GAAP, where the accumulated benefit obligation of the pension plan exceeds the fair value of plan assets, an intangible asset (not exceeding the value of the unrecognised prior service cost) and additional pension liability is recognised. If the additional pension liability exceeds the unrecognised prior service cost, the excess (adjusted for the effect of income tax) is recorded as part of other comprehensive income.

(L) Other post-retirement benefits
Under UK GAAP, post-retirement benefits other than pensions have been accounted for in accordance with the provisions of Statement of Standard Accounting Practice 24 'Accounting for Pension Costs' (SSAP 24), which are generally consistent with the provisions of US GAAP including Statement of Financial Accounting Standards No. 106 'Employers' Accounting for Post Retirement Benefits Other Than Pensions' (SFAS 106) except for certain scenarios such as in accounting for plan amendments.

Under UK GAAP, amendments to post-retirement benefits provided are taken into account from the date upon which plan amendments are announced. Under US GAAP, plan amendments are only taken into account from the date upon which the plan amendments become effective.

(M) Mozal expansion rights
In the 2001 year BHP Billiton announced an agreement to sell-down a portion of its preferential rights in the Mozal Phase II project to two of its project partners. Under UK GAAP, the consideration was recognised as revenue. A portion of the consideration was paid in cash and another portion was delivered to the BHP Billiton Group via a marketing arrangement. Under US GAAP, the consideration paid in cash is recognised as profit from asset sales when received. During the year ended 30 June 2004, the final instalment of the the consideration to be paid in cash was received and accordingly this will no longer be a US GAAP adjustment.

(N) Employee Share Plan loans
Under the Employee Share Plan, loans have been made to employees for the purchase of shares in BHP Billiton Limited. Under US GAAP, the amount outstanding as an obligation to the BHP Billiton Limited Group, which has financed equity, is required to be eliminated from total shareholders' equity. In addition, any foreign exchange gains or losses on the outstanding loan balances are required to be eliminated from net income.

(O) Goodwill
Under UK GAAP, the BHP Billiton Group amortises goodwill over a period not exceeding 20 years. Under US GAAP, Statement of Financial Accounting Standards No. 142 'Goodwill and Other Intangible Assets' (SFAS 142), which became effective from 1 July 2002, replaces the requirement to amortise goodwill with annual impairment testing.

The current period adjustment reflects the net goodwill amortisation charge and negative goodwill credit under UK GAAP, which is reversed for US GAAP.

(P) Profit on asset sales
Under US GAAP, profits arising from the sale of assets cannot be recognised in the period in which the sale occurs where the vendor has a significant continuing association with the purchaser. In such circumstances, any profit arising from a sale is recognised over the life of the continuing arrangements.

(Q) BHP Steel demerger
Under UK GAAP, the BHP Steel demerger was recorded as two components in the year ended 30 June 2003. A distribution to BHP Billiton Limited shareholders of 94 per cent of BHP Steel shares (accounted for as a capital reduction) and a sale of 6 per cent of BHP Steel shares (accounted for as a sale of assets).

Under US GAAP, the BHP Steel demerger is classified as a non pro-rata distribution to shareholders and is required to be accounted for as a 100 per cent sale of assets. The implied consideration for the sale of the additional 94 per cent of BHP Steel shares is based on the market price of BHP Steel shares used in determining the bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders.

The remaining 6 per cent is measured at the respective sale price. The implied consideration, when compared to the book value of the BHP Steel net assets to be demerged, indicates a shortfall, which was recognised in the result for the period ended 30 June 2002 for US GAAP. The calculation of the book value of the BHP Steel net assets to be demerged includes US GAAP net asset adjustments attributable to BHP Steel. Costs associated with completion of the demerger of BHP Steel have been recognised directly in equity for UK GAAP but were charged as expenses for US GAAP in the year ended 30 June 2002.

The adjustment to net income for the year ended 30 June 2003 primarily represents the loss on sale of the 6 per cent holding included in the year ended 30 June 2003 for UK GAAP, which was recorded in net income in the year ended 30 June 2002 for US GAAP purposes.

(R) Restructuring and employee provisions
These accounts include provisions for redundancies associated with organisational restructuring that can be recognised where positions have been identified as being surplus to requirements, provided the circumstances are such that a constructive liability exists. Under US GAAP, a provision for redundancies involving voluntary severance offers is restricted to employees who have accepted these offers. The adjustment is reversed over subsequent periods as the offers are accepted.

(S) Tax effect of adjustments
Adjustments to the UK GAAP net income and shareholders' equity are disclosed on a before tax basis. This adjustment reflects the impact of those adjustments on income taxes. For the year ended 30 June 2004, goodwill impairments of US$491 million have no tax effect. Other significant differences between the UK nominal rate of taxation of 30 per cent, the effective tax rate under UK GAAP of 23 per cent, and the effective rate for US GAAP (16 per cent) are described in 'Other taxation adjustments' below and in note 10.

(T) Other taxation adjustments
For UK GAAP, potential tax expense of US$15 million has not been recognised in the year ended 30 June 2004, mainly relating to the tax impact of unrealised foreign exchange gains or losses on US dollar net debt held by subsidiaries, which retain local currency records for tax purposes. For US GAAP, a tax expense is recognised reflecting the existence of the foreign exchange gains or losses in the accounts of the respective entity. The cumulative effect of this adjustment at 30 June 2004 is a credit to tax liabilities of US$255 million (2003: US$240 million).

During the year ended 30 June 2004, the BHP Billiton Group elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime. Under the transitional rules, the Group has chosen to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of the assets. Under UK GAAP, part of the tax benefit resulting from the reset of the tax cost base is recorded in future years as a permanent difference to taxation expense. Under Statement of Financial Accounting Standard No. 109 (SFAS 109) 'Accounting for Income Taxes', the tax benefit resulting from the change in the tax legislation is recognised in full as a change to deferred tax balances and tax expense.

(U) Change in fair value of listed investments
As part of its exploration strategy, the Group makes use of junior exploration companies (junior) to leverage its exploration spend. This generally involves the Group receiving shares in the junior and an option to enter into a joint venture over specific properties the junior is exploring, in exchange for the Group contributing cash, exploration properties or other interests to the junior. Usually there is an agreement for the cash to be spent only on exploration of the specified properties. Under UK GAAP, cash contributions (which usually take the form of subscription for shares in the junior) are expensed as exploration costs and no gain is recorded when properties are contributed to the joint venture. The US GAAP treatment is similar to UK GAAP except that investments in juniors with publicly traded shares are carried at their fair value, as available for sale securities, with unrealised changes in value recorded in other comprehensive income until realised or an other-than-temporary impairment occurs.

(V) Dividends
Under UK GAAP, dividends that are declared after balance date but before the issuance of the financial statements are treated as a post-balance date event requiring adjustment in the financial statements. Under US GAAP, a provision for dividends cannot be recorded until the following year. In the current period, the BHP Billiton Group changed its timing on dividend declarations which results in a dividend provision being recorded under UK GAAP, which is reversed for US GAAP.

34 US Generally Accepted Accounting Principles disclosures continued

Employee compensation costs

For the year ended 30 June 2002, the BHP Billiton Group applied the principles of APB 25 in determining employee compensation costs arising from the various employee ownership plans under US GAAP. Had the fair value basis of accounting in SFAS 123 been used to account for compensation costs for those prior periods, the following net income and earnings per share amounts would have been reported:

	2002 US$M
Net income	
As reported	1 249
Add: Stock-based compensation expense/(benefit) recorded in net income	(15)
Deduct: Expense calculated in accordance with SFAS 123	(10)
Pro-forma net income	1 224
Basic earnings per share [a]	
As reported	0.21
Pro-forma	0.20
Diluted earnings per share [b]	
As reported	0.21
Pro-forma	0.20

[a] Based on net profit attributable to members of BHP Billiton Group under US GAAP.
[b] Refer note 12 'Earnings per share'.

Fair valuation of awards as presented below represents the value of awards issued under employee share ownership plans of BHP Billiton Plc and BHP Billiton Limited. The values relate to the awards granted during the financial year and are measured at grant date.

	2004 US$	2003 US$	2002 US$
Group Incentive Scheme option (BHP Billiton Plc)	**1.84**		
Group Incentive Scheme option (BHP Billiton Limited)	**2.11**		
Group Incentive Scheme Deferred Share (BHP Billiton Plc)	**6.84**		
Group Incentive Scheme Deferred Share (BHP Billiton Limited)	**7.22**		
Group Incentive Scheme Performance Share (BHP Billiton Plc)	**3.14**	1.08	
Group Incentive Scheme Performance Share (BHP Billiton Limited)	**3.31**	1.13	
Employee Share Plan option		1.22	1.22
Restricted Share Scheme award			1.65
Co-Investment Plan matching award			2.63
Performance Right (LTI)			1.86
Performance Right (MTI)			2.97
Bonus Equity Share Plan award [a]			4.76

[a] The fair value of a Bonus Equity Plan award is equal to the market value of a BHP Billiton Limited share at date of grant.

FINANCIAL STATEMENTS

The fair values of awards granted were estimated using Black-Scholes option pricing techniques. Significant assumptions used in applying this formula were as follows:

	2004	2003	2002
Group Incentive Scheme Option (BHP Billiton Plc)			
Risk-free interest rate	**4.9%**		
Estimated life of awards	**4.8 years**		
Estimated volatility of share price	**25.0%**		
Dividend yield	**2.1%**		
Group Incentive Scheme Option (BHP Billiton Limited)			
Risk-free interest rate	**5.9%**		
Estimated life of awards	**4.8 years**		
Estimated volatility of share price	**25.0%**		
Dividend yield	**2.1%**		
Group Incentive Scheme Deferred Share (BHP Billiton Plc)			
Risk-free interest rate	**4.9%**		
Estimated life of awards	**3 years**		
Estimated volatility of share price	**27.4%**		
Dividend yield	**2.5%**		
Group Incentive Scheme Deferred Share (BHP Billiton Limited)			
Risk-free interest rate	**4.9%**		
Estimated life of awards	**3 years**		
Estimated volatility of share price	**27.4%**		
Dividend yield	**2.5%**		
Group Incentive Scheme Performance Shares (BHP Billiton Plc)			
Risk-free interest rate	**5.5%**	4.6%	
Estimated life of awards	**5.7 years** (a)	5 years (a)	
Estimated volatility of share price	**25.0%**	20.0%	
Dividend yield	**2.3%**	2.5%	
Group Incentive Scheme Performance Shares (BHP Billiton Limited)			
Risk-free interest rate	**5.9%**	4.6%	
Estimated life of awards	**5.7 years** (a)	5 years (a)	
Estimated volatility of share price	**25.0%**	20.0%	
Dividend yield	**2.3%**	2.5%	
Employee Share Plan Options			
Risk-free interest rate		4.8%	4.8%
Estimated life of options		5 years (a)	5 years (a)
Estimated volatility of share price		20.0%	20.0%
Dividend yield		2.2%	2.2%
Restricted Share Scheme awards			
Risk-free interest rate			4.8%
Estimated life of awards			5 years (a)
Estimated volatility of share price			20.0%
Dividend yield			2.2%
Co-Investment Plan matching awards			
Risk-free interest rate			4.6%
Estimated life of awards			4 years (a)
Estimated volatility of share price			20.0%
Dividend yield			2.2%

34 US Generally Accepted Accounting Principles disclosures continued

	2004	2003	2002
Performance Rights (LTI)			
Risk-free interest rate			4.8%
Estimated life of Performance Rights			5 years [a]
Estimated volatility of share price			20.0%
Dividend yield			2.2%
Performance Rights (MTI)			
Risk-free interest rate			4.6%
Estimated life of Performance Rights			4 years [a]
Estimated volatility of share price			20.0%
Dividend yield			2.2%

[a] Subject to performance conditions.

Goodwill and other intangible assets

In accordance with SFAS 142, the BHP Billiton Group no longer amortises goodwill and instead has adopted a policy whereby goodwill is tested for impairment on an annual basis by each reporting unit, or on a more regular basis should circumstances dictate. All impairments recorded during the year were calculated by discounting the operations' expected future cash flows using a risk-adjusted discount rate.

As required by SFAS 142, the balance of goodwill by Customer Sector Group is:

	2004 US$M	2003 US$M
Aluminium [a]	**1 254**	1 426
Base Metals [b]	**547**	594
Carbon Steel Materials	**285**	285
Diamonds and Specialty Products [c]	**151**	154
Energy Coal [d]	**68**	384
Stainless Steel Materials	**343**	343
	2 648	3 186

[a] As a result of revisions to price and foreign exchange assumptions as well as the estimated useful life of operations, goodwill allocated to Bayside has been impaired by US$151 million during the current year. In addition, an impairment of US$21 million was recorded for Valesul, due to a change in tariffs on electricity charges.

[b] During the year ended 30 June 2004, the Group sold its interest in the Highland Valley Copper joint venture. The movement in goodwill during the period reflects the disposal of this interest.

[c] Due to minor changes in pricing and volume assumptions, the Group recorded an impairment of goodwill in its Diamonds and Specialty Products CSG of US$3 million during the year ended 30 June 2004.

[d] The movement in goodwill in the Energy Coal CSG during the year results from an impairment of goodwill at Ingwe of US$316 million. This primarily relates to a reassessment of the probability of pursuing potential expansion projects .

34 US Generally Accepted Accounting Principles disclosures continued

The following table summarises the effects of SFAS 142 on net income had it been applied retroactively to 2002:

	2002 US$M
Net income of the BHP Billiton Group for the purposes of US GAAP	1 249
add back: Goodwill amortisation	133
Adjusted net income of the BHP Billiton Group for the purposes of US GAAP	1 382
Earnings per share – US GAAP (US cents) [a][b]	
Basic	
As reported	0.21
Goodwill amortisation [c]	0.02
Adjusted	0.23
Diluted	
As reported	0.21
Goodwill amortisation [c]	0.02
Adjusted	0.23

(a) Based on the weighted average number of shares on issue for the period.
(b) For the period indicated, each American Depositary Share (ADS) represents two ordinary shares. Therefore the earnings per ADS under US GAAP is a multiple of two from the above earnings per share disclosure.
(c) All goodwill amortisation is attributable to Continuing Operations.

The following table summarises other intangible assets of the BHP Billiton Group at as 30 June 2004 and 30 June 2003.

	2004 US$M	2003 US$M
Pension asset	**18**	19
Other intangible assets		
Long-term customer contracts at gross book value	**40**	40
deduct amounts amortised [a][b]	**4**	3
	54	56

(a) Gross amortisation expense for other intangible assets for the year ended 30 June 2004 was US$1.3 million.
(b) Estimated gross amortisation expense for other intangible assets for the next five financial years is US$1.3 million per annum.

34 US Generally Accepted Accounting Principles disclosures continued

Pensions and post-retirement medical benefit plans

The BHP Billiton Group's pension and post-retirement medical benefit plans are discussed in note 27. The disclosures below include the additional information required by Statement of Financial Accounting Standards No. 132 'Employers' Disclosures about Pensions and Other Post Retirement Benefits' (SFAS 132). The pension and medical costs of the BHP Billiton Group's significant defined benefit plans have been restated in the following tables in accordance with US GAAP.

The measurement date used to determine pension and medical benefit measurements as at 30 June 2004 for the Group's pension plans and medical schemes is 30 June 2004 for all plans.

Pension Schemes

	2004 US$M	2003 US$M	2002 US$M
The net periodic pension cost for the significant defined benefit pension plans comprised:			
Service costs	**56**	43	67
Interest costs	**76**	64	85
Expected return on plan assets	**(81)**	(71)	(105)
Amortisation of prior service cost	**3**	3	1
Amortisation of net transition asset	**(2)**	(3)	(12)
Termination benefits and curtailment costs	**–**	12	1
Recognised net actuarial loss	**20**	9	1
Net periodic pension cost under US GAAP	**72**	57	38

	2004 %	2003 %	2002 %
The major weighted average assumptions (weighted by the net periodic pension cost) used in computing the above pension cost were:			
Rates of future pay increases	**3.8**	3.8	3.4
Discount rate	**5.3**	5.3	6.2
Expected long-term rates of return on plan assets	**7.0**	7.3	8.0

	2004 US$M	2003 US$M
Change in benefit obligation		
Projected benefit obligation at the beginning of the year	**1 191**	1 387
Amendments	**16**	–
Service costs	**56**	43
Interest costs	**76**	64
Plan participants' contributions	**10**	15
Actuarial (gain)/loss	**(2)**	68
Benefits paid	**(106)**	(391)
Demerger or disposal of subsidiaries	**–**	(96)
Adjustment due to inclusion of insured pensioners	**65**	–
Adjustments for changes in the Group structure and joint venture arrangements	**26**	(3)
Termination benefits and curtailment costs	**–**	2
Exchange variations	**62**	102
Projected benefit obligation at the end of the year	**1 394**	1 191
Projected benefit obligation at the end of the year for plans with accumulated benefit obligations in excess of plan assets	**750**	999
Accumulated benefit obligation at the end of the year for plans with accumulated benefit obligations in excess of plan assets	**696**	908
Accumulated benefit obligation for all defined benefit pension plans	**1 217**	1 063

	2004 %	2003 %
The major weighted average assumptions (weighted by the projected benefit obligation) used in computing the above benefit obligation were:		
Rates of future pay increases	**3.7**	3.1
Discount rate	**6.4**	5.5

	2004 US$M	2003 US$M
Change in plan assets		
Fair value of plan assets at the beginning of the year	**912**	1 211
Actual return on plan assets	**146**	6
Employer contribution	**75**	38
Plan participants' contributions	**10**	15
Benefits paid	**(106)**	(391)
Demerger or disposal of subsidiaries	**–**	(58)
Adjustment due to inclusion of insured pensioners	**65**	–
Adjustments for changes in the Group structure and joint venture arrangements	**13**	(4)
Exchange variations	**57**	95
Fair value of plan assets at the end of the year	**1 172**	912
Fair value of plan assets at the end of the year for plans with accumulated benefit obligations in excess of plan assets	**515**	669

34 US Generally Accepted Accounting Principles disclosures continued

Plan assets consist primarily of bonds and equities. Refer note 27 for further details.

	2004 US$M	2003 US$M
Funded status		
Funded status	**(222)**	(279)
Unrecognised net actuarial loss	**282**	346
Unrecognised prior service cost	**33**	19
Unrecognised net transition asset	**(3)**	(5)
Net amount recognised	**90**	81

	2004 US$M	2003 US$M
Analysis of net amount recognised		
Prepaid benefit obligation	**130**	47
(Accumulated) benefit obligation	**(193)**	(213)
Intangible asset	**18**	19
Accumulated other comprehensive income	**135**	228
Net amount recognised	**90**	81
(Decrease)/increase in minimum liability included in other comprehensive income	**(93)**	154

	2004 %	2003 %
Weighted average asset allocation by asset category:		
Equities	**51**	54
Bonds	**33**	35
Property	**3**	2
Cash and net current assets	**3**	6
Other	**10**	3
Total	**100**	100

	2004 %
Weighted average target asset allocation by asset category as at 30 June 2004 for future periods:	
Equities	**57**
Bonds	**29**
Property	**3**
Cash and net current assets	**2**
Other	**9**
Total	**100**

The BHP Billiton Group expects to contribute US$60 million to US$80 million to its pension plans in the year ending 30 June 2005.

	2004 US$M
Expected future benefit payments for the year ending:	
30 June 2005	**72**
30 June 2006	**74**
30 June 2007	**76**
30 June 2008	**81**
30 June 2009	**83**
Estimated benefit payments for the 5-year period from 30 June 2009 to 30 June 2014	**484**

Given the nature of some of the pension schemes, year on year variations on benefit payments can be significant.

Post-retirement medical benefits

	2004 US$M	2003 US$M	2002 US$M
Net medical cost			
Service cost	**6**	6	3
Interest cost	**24**	21	17
Recognised actuarial loss	**3**	–	1
Termination benefits and curtailment costs	**–**	–	(5)
Amortisation of prior service credit	**(1)**	–	(1)
Net medical cost	**32**	27	15

	2004 %	2003 %	2002 %
The major weighted average assumptions used in calculating the net medical cost were:			
Rate of future medical inflation	**7.8**	7.9	6.1
Discount rate	**8.1**	8.0	8.4

The rate of future medical inflation rate reflects the fact that the benefits of certain groups of participants are capped.

34 US Generally Accepted Accounting Principles disclosures continued

	2004 US$M	2003 US$M
Change in accumulated post-retirement benefit obligation		
Accumulated post-retirement benefit obligation at the beginning of the year	**315**	220
Amendments	**12**	13
Service costs	**6**	6
Interest costs	**24**	21
Actuarial (gain)/loss	**(34)**	43
Benefits paid	**(19)**	(18)
Adjustments for changes in the Group structure and joint venture arrangements	**(10)**	(1)
Exchange variations	**27**	31
Accumulated post-retirement benefit obligation at the end of the year	**321**	315
Change in plan assets		
Fair value of plan assets at the beginning of the year	**–**	–
Employer contributions	**19**	18
Benefits paid	**(19)**	(18)
Fair value of plan assets at end of year	**–**	–
Funded status		
Funded status	**(321)**	(315)
Unrecognised net actuarial loss	**37**	66
Unrecognised prior service cost	**1**	(10)
Accrued post-retirement medical cost	**(283)**	(259)

	2004 %	2003 %
The major weighted average assumptions (weighted by the accumulated post-retirement benefit obligation) used in computing the above benefit obligation were:		
Rates of future medical inflation	**7.6**	7.9
Discount rate	**8.1**	7.8

	1% decrease US$M	1% increase US$M
The impact of a 1 per cent variation in the rate of future medical inflation on the 2004 results would be:		
Effect on total service and interest cost	**(3)**	4
Effect on accumulated post-retirement benefit obligation	**(30)**	36

The BHP Billiton Group expects to contribute US$20 million to US$30 million to its post-retirement medical plans in the year ending 30 June 2005.

	2004 US$M
Expected future benefit payments for the year ending:	
30 June 2005	**22**
30 June 2006	**22**
30 June 2007	**23**
30 June 2008	**24**
30 June 2009	**24**
Estimated benefit payments for the 5-year period from 30 June 2009 to 30 June 2014	**135**

Impact of new accounting standards

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 150 'Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity' (SFAS 150). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that the following types of freestanding financial instruments be reported as liabilities:

(a) mandatory redeemable shares;

(b) instruments other than shares that could require the issuer to buy back some of its shares in exchange for cash or other assets; and

(c) obligations that can be settled with shares, the monetary value of which is either:

  (i) fixed,

  (ii) tied to the value of a variable other than the issuer's shares, or

  (iii) varies inversely with the value of the issuer's shares.

Measurement of these liabilities generally is to be at fair value, with the payment of dividends to be reported as interest cost.

The adoption of SFAS 150 from 1 July 2003 did not impact these financial statements.

In the year ended 30 June 2004, the Group first applied the provisions of FASB Interpretation No. 46 (Revised) 'Consolidation of Variable Interest Entities' (FIN 46R). The objective of FIN 46R is to improve financial reporting by companies involved with variable interest entities. A variable interest entity is a corporation, partnership, trust or any other legal structure used to conduct activities or hold assets in which either:

(a) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or

(b) the equity investors lack:

  (i) the ability to make decisions about the entity's activities,

  (ii) the obligation to absorb the losses of the entity if they occur, and

  (iii) the right to receive the expected residual returns of the entity if they occur.

Historically, entities generally were not consolidated under US GAAP unless the entity was controlled through voting interests.

FIN 46R changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46R also requires disclosure about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest.

The application of FIN 46R in the year ended 30 June 2004 did not have an impact on the net income or shareholders' equity of the BHP Billiton Group under US GAAP.

In March 2004, the Emerging Issues Task Force (EITF) reached a consensus in Issue No. 04-2 that mineral rights should be accounted for as tangible assets and that mining entities should disclose mineral rights in a separate caption, either on the face of the balance sheet or in the notes to the financial statements, consistent with each entity's current practice for disclosing the components of tangible assets. As the Group already classifies mineral rights as tangible assets, application of Issue 04-2 has not impacted these financial statements.

In March 2004, the EITF also reached a consensus in Issue No. 04-3 that value beyond proven and probable mineral reserves (as defined in SEC Industry Guide 7) as well as value attributable to the effects of anticipated fluctuations in future market prices of minerals should be considered when an entity allocates the purchase price to assets acquired in a business combination. Additionally, the EITF concluded that value beyond proven and probable reserves and the effects of anticipated fluctuations in future prices should be considered in the cash flow analysis used in impairment testing. Issue 04-3 is effective for periods beginning on or after 31 March 2004, however early adoption is permitted for any period for which financial statements have yet to be issued. The BHP Billiton Group adopted the provisions of Issue 04-3 for impairment tests carried out in the year ended 30 June 2004, however it did not have an impact on these financial statements as the consensus validated the approach previously adopted by BHP Billiton.

Reserves and production

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges, the assessment of impairments and other less direct impacts such as the assessment of the need for provisions against deferred tax assets) that are based on reserve estimates are also subject to change.

Proved reserves are estimated by reference to available seismic, well and reservoir information, including production and pressure trends for producing reservoirs and, in some cases, to similar data from other producing reservoirs in the immediate area. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In certain deepwater Gulf of Mexico fields we have claimed proved reserves before production flow tests are conducted, in part because of the significant safety, cost and environmental implications of conducting those tests. In these fields we have used other industry-accepted technologies, which we consider provide reasonably certain estimates of productivity. Historically, actual production levels have validated our proved reserves estimated by these methods.

The table below details our oil, condensate, LPG and gas reserves, estimated at 30 June 2004, 30 June 2003 and 30 June 2002 with a reconciliation of the changes in each year. Our reserves have been calculated using the economic interest method and represent our net interest volumes after deduction of applicable royalty, fuel and flare volumes. Our reserves include quantities of oil, condensate and LPG which will be produced under several production and risk-sharing arrangements that involve us in upstream risks and rewards but do not transfer ownership of the products to us. At 30 June 2004, approximately 17 per cent (2003: 19 per cent; 2002: 17 per cent) of proved developed and undeveloped oil, condensate and LPG reserves and nil (2003: nil; 2002: nil) of natural gas reserves are attributable to those arrangements. Our reserves also include volumes calculated by probabilistic aggregation of certain fields that share common infrastructure. These aggregation procedures result in enterprise-wide proved reserves volumes, which may not be realised upon divestment on an individual property basis.

(millions of barrels)	Australia/Asia	Americas	UK/Middle East	Total
Proved developed and undeveloped oil, condensate and LPG reserves [(a)]				
Reserves at 30 June 2001	376.8	96.3	134.2	607.3
Improved recovery	–	–	–	–
Revisions of previous estimates	12.1	3.2	(11.0)	4.3
Extensions and discoveries	3.4	70.2	–	73.6
Purchase/sales of reserves	–	–	–	–
Production [(b)]	(63.3)	(9.0)	(14.3)	(86.6)
Total changes	(47.8)	64.4	(25.3)	(8.7)
Reserves at 30 June 2002	329.0	160.7	108.9	598.6
Improved recovery	–	–	0.1	0.1
Revisions of previous estimates	52.2	(12.2)	12.2	52.2
Extensions and discoveries	0.5	10.1	3.9	14.5
Purchase/sales of reserves	–	–	–	–
Production [(b)]	(55.1)	(6.6)	(11.7)	(73.4)
Total changes	(2.4)	(8.7)	4.5	(6.6)
Reserves at 30 June 2003	326.6	152.0	113.4	592.0
Improved recovery	–	–	–	–
Revisions of previous estimates	20.2	(2.6)	(9.5)	8.1
Extensions and discoveries	0.4	11.0	1.1	12.5
Purchase/sales of reserves	–	(4.0)	–	(4.0)
Production [(b)]	(46.3)	(7.6)	(14.1)	(68.0)
Total changes	(25.7)	(3.2)	(22.5)	(51.4)
Reserves at 30 June 2004 [(c)]	**300.9**	**148.8**	**90.9**	**540.6**
Proved developed oil, condensate and LPG reserves [(a)]				
Reserves at 30 June 2001	268.6	9.4	40.9	318.9
Reserves at 30 June 2002	233.1	15.9	30.2	279.2
Reserves at 30 June 2003	227.8	9.9	24.5	262.2
Reserves at 30 June 2004	**201.9**	**5.4**	**54.8**	**262.1**

(a) In Bass Strait, the North West Shelf and the North Sea, LPG is extracted separately from crude oil and natural gas.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved oil, condensate and LPG reserves include 12.6 million barrels derived from probabilistic aggregation procedures.

(billions of cubic feet)	Australia/Asia[(a)]	Americas	UK/Middle East	Total
Proved developed and undeveloped natural gas reserves				
Reserves at 30 June 2001	4 078.4	139.1	594.0	4 811.5
Improved recovery	–	–	–	–
Revisions of previous estimates	3.9	2.7	(35.8)	(29.2)
Extensions and discoveries	605.9	37.3	–	643.2
Purchases/sales of reserves	–	–	–	–
Production [(b)]	(187.4)	(25.1)	(69.0)	(281.5)
Total changes	422.4	14.9	(104.8)	332.5
Reserves at 30 June 2002	4 500.8	154.0	489.2	5 144.0
Improved recovery	–	–	16.7	16.7
Revisions of previous estimates	404.1	4.9	(7.0)	402.0
Extensions and discoveries	188.9	10.2	–	199.1
Purchases/sales of reserves	–	–	–	–
Production [(b)]	(189.2)	(21.8)	(79.9)	(290.9)
Total changes	403.8	(6.7)	(70.2)	326.9
Reserves at 30 June 2003	4 904.6	147.3	419.0	5 470.9
Improved recovery	–	–	–	–
Revisions of previous estimates	114.6	2.2	(10.0)	106.8
Extensions and discoveries	51.6	4.6	–	56.2
Purchases/sales of reserves	–	(32.8)	–	(32.8)
Production [(b)]	(222.9)	(20.5)	(77.0)	(320.4)
Total changes	(56.7)	(46.5)	(87.0)	(190.2)
Reserves at 30 June 2004 [(c)]	**4 847.9**	**100.8**	**332.0**	**5 280.7**
Proved developed natural gas reserves				
Reserves at 30 June 2001	2 303.2	84.6	550.2	2 938.0
Reserves at 30 June 2002	2 455.1	79.9	481.9	3 016.9
Reserves at 30 June 2003	2 560.4	64.8	397.1	3 022.3
Reserves at 30 June 2004	**2 539.7**	**20.1**	**310.0**	**2 869.8**

(a) Production for Australia includes gas sold as LNG.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved natural gas reserves include 233.2 billion cubic feet derived from probabilistic aggregation procedures.

Capitalised costs incurred relating to oil and gas producing activities

The following table shows the aggregate capitalised costs relating to oil and gas producing activities and related accumulated depreciation, depletion and amortisation and impairments.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
Capitalised cost				
2004				
Unproved properties	**48**	**392**	**6**	**446**
Proved properties	**4 655**	**1 693**	**3 283**	**9 631**
Total costs [a][b]	**4 703**	**2 085**	**3 289**	**10 077**
less Accumulated depreciation, depletion, amortisation and impairments [a][b][c]	**(2 509)**	**(609)**	**(1 807)**	**(4 925)**
Net capitalised costs	**2 194**	**1 476**	**1 482**	**5 152**
2003				
Unproved properties	31	255	6	292
Proved properties	4 312	1 229	2 961	8 502
Total costs [a][b]	4 343	1 484	2 967	8 794
less Accumulated depreciation, depletion, amortisation and impairments [a][b][c]	(2 373)	(582)	(1 428)	(4 383)
Net capitalised costs	1 970	902	1 539	4 411
2002				
Unproved properties	21	209	4	234
Proved properties	4 170	865	2 541	7 576
Total costs [a][b]	4 191	1 074	2 545	7 810
less Accumulated depreciation, depletion, amortisation and impairments [a][b][c]	(2 417)	(409)	(1 118)	(3 944)
Net capitalised costs	1 774	665	1 427	3 866

(a) Includes US$286 million (2003: US$286 million; 2002: US$286 million) attributable to prior year revaluations of fixed assets above historical costs and related accumulated amortisation thereof of US$232 million (2003: US$228 million; 2002: US$222 million).

(b) Includes US$132 million (2003: US$127 million; 2002: US$125 million) attributable to capitalised exploration, evaluation and development expenditures, which would be expensed under US GAAP and related accumulated amortisation thereof of US$89 million (2003: US$88 million; 2002 US$87 million).

(c) Includes US$8 million (2003: US$8 million; 2002: US$nil) of exploration costs previously capitalised now written off as impaired, which would not have been written off under US GAAP.

Costs incurred relating to oil and gas producing activities

The following table shows costs incurred relating to oil and gas producing activities (whether charged to expense or capitalised). Amounts shown include interest capitalised.

Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of geological and geophysical activities and drilling of exploratory wells. Development costs were all expended to develop booked proved undeveloped reserves.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
2004				
Acquisitions of unproved property	**–**	**27**	**–**	**27**
Exploration [(a)]	**57**	**242**	**14**	**313**
Development	**353**	**426**	**137**	**916**
Total costs [(b)]	**410**	**695**	**151**	**1 256**
2003				
Acquisitions of unproved property	–	18	–	18
Exploration [(a)]	41	155	28	224
Development	304	315	236	855
Total costs [(b)]	345	488	264	1 097
2002				
Acquisitions of unproved property	–	20	–	20
Exploration [(a)]	28	194	46	268
Development	236	186	289	711
Total costs [(b)]	264	400	335	999

(a) Represents gross exploration expenditure.
(b) Total costs include US$1 080 million (2003: US$943 million; 2002: US$847 million) capitalised during the year.

Results of operations from oil and gas producing activities
The following information is similar to the disclosures in note 4 to the financial statements 'Analysis by business segment' but differs in several respects as to the level of detail and geographic presentation. Amounts shown in the following table exclude interest income and borrowing costs, and general corporate administrative costs. Petroleum general and administrative costs relating to oil and gas activities are included.

Income taxes were determined by applying the applicable statutory rates to pre-tax income with adjustments for permanent differences and tax credits. Certain allocations of tax provisions among geographic areas were necessary and are based on management's assessment of the principal factors giving rise to the tax obligation.

Revenues are reflected net of royalties but before reduction of production taxes. Revenues include sales to affiliates but amounts are not significant.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
2004				
Oil and gas sales	**2 171**	**350**	**706**	**3 227**
Production costs	**(240)**	**(46)**	**(114)**	**(400)**
Exploration expenses [(a)]	**(36)**	**(131)**	**(14)**	**(181)**
Depreciation, depletion and amortisation [(a)]	**(188)**	**(143)**	**(244)**	**(575)**
Production taxes	**(524)**	**(26)**	**(4)**	**(554)**
	1 183	**4**	**330**	**1 517**
Income taxes	**(330)**	**(6)**	**(121)**	**(457)**
Results of oil and gas producing activities [(b)]	**853**	**(2)**	**209**	**1 060**
2003				
Oil and gas sales	2 131	289	541	2 961
Production costs	(297)	(50)	(86)	(433)
Exploration expenses [(a)]	(25)	(101)	(28)	(154)
Depreciation, depletion and amortisation [(a)]	(193)	(138)	(219)	(550)
Production taxes	(523)	(15)	(5)	(543)
	1 093	(15)	203	1 281
Income taxes	(342)	9	(75)	(408)
Results of oil and gas producing activities [(b)]	751	(6)	128	873
2002				
Oil and gas sales	1 888	262	538	2 688
Production costs	(204)	(37)	(80)	(321)
Exploration expenses [(a)]	(24)	(87)	(41)	(152)
Depreciation, depletion and amortisation [(a)]	(230)	(142)	(199)	(571)
Production taxes	(446)	(12)	(5)	(463)
	984	(16)	213	1 181
Income taxes	(301)	12	(50)	(339)
Results of oil and gas producing activities [(b)]	683	(4)	163	842

(a) Exploration expenses exclude capitalised exploration, evaluation and development expenditures of US$5 million (2003: US$2 million; 2002: US$6 million) which would have been expensed under US GAAP. In a related manner, depreciation is higher in 2004 by US$1 million (2003: US$1 million; 2002: US$1 million) than that required under US GAAP. In addition, exploration expenses include US$nil (2003: US$8 million; 2002: US$nil) of expenditure previously capitalised now written off which would not have not been written off for US GAAP.

(b) Amounts shown exclude general corporate overheads and, accordingly, do not represent all of the operations attributable to the Petroleum segment presented in note 4 to the financial statements. There are no equity minority interests.

Standardised measure of discounted future net cash flows relating to proved oil and gas reserves ('Standardised measure')
The purpose of this disclosure is to provide data with respect to the estimated future net cash flows from future production of proved developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas.

The Standardised measure is based on the BHP Billiton Group's estimated proved reserves, (as presented in the section 'Reserves') and this data should be read in conjunction with that disclosure, which is hereby incorporated by reference into this section. The Standardised measure is prepared on a basis which presumes that year end economic and operating conditions will continue over the periods in which year end proved reserves would be produced. The effects of future inflation, future changes in exchange rates and expected future changes in technology, taxes and operating practices have not been included.

The Standardised measure is prepared by projecting the estimated future annual production of proved reserves owned at period end and pricing that future production at prices in effect at period end to derive future cash inflows. Future price increases may be considered only to the extent that they are provided by fixed contractual arrangements in effect at period end and are not dependent upon future inflation or exchange rate changes.

Future cash inflows are then reduced by future costs of producing and developing the period end proved reserves based on costs in effect at period end without regard to future inflation or changes in technology or operating practices. Future development costs include the costs of drilling and equipping development wells and construction of platforms and production facilities to gain access to proved reserves owned at period end. They also include future costs, net of residual salvage value, associated with the abandonment of wells, dismantling of production platforms and restoration of drilling sites. Future cash inflows are further reduced by future income taxes based on tax rates in effect at period end and after considering the future deductions and credits applicable to proved properties owned at period end. The resultant annual future net cash flows (after deductions of operating costs including resource rent taxes, development costs and income taxes) are discounted at 10 per cent per annum to derive the Standardised measure.

There are many important variables, assumptions and imprecisions inherent in developing the Standardised measure, the most important of which are the level of proved reserves and the rate of production thereof. The Standardised measure is not an estimate of the fair market value of the BHP Billiton Group's oil and gas reserves. An estimate of fair value would also take into account, among other things, the expected recovery of reserves in excess of proved reserves, anticipated future changes in prices, costs and exchange rates, anticipated future changes in secondary tax and income tax rates and alternative discount factors representing the time value of money and adjustments for risks inherent in producing oil and gas.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
Standardised measure				
2004				
Future cash inflows	**24 463**	**5 747**	**3 973**	**34 183**
Future production costs	**(8 298)**	**(818)**	**(984)**	**(10 100)**
Future development costs [(a)(b)]	**(2 874)**	**(1 302)**	**(307)**	**(4 483)**
Future income taxes	**(3 888)**	**(978)**	**(801)**	**(5 667)**
Future net cash flows	**9 403**	**2 649**	**1 881**	**13 933**
Discount at 10% per annum	**(4 444)**	**(1 019)**	**(449)**	**(5 912)**
Standardised measure	**4 959**	**1 630**	**1 432**	**8 021**
2003				
Future cash inflows	21 689	4 992	4 107	30 788
Future production costs	(7 922)	(837)	(1 013)	(9 772)
Future development costs	(2 945)	(1 326)	(242)	(4 513)
Future income taxes	(3 143)	(865)	(620)	(4 628)
Future net cash flows	7 679	1 964	2 232	11 875
Discount at 10% per annum	(3 816)	(745)	(856)	(5 417)
Standardised measure	3 863	1 219	1 376	6 458
2002				
Future cash inflows	19 439	4 489	4 020	27 948
Future production costs	(7 209)	(975)	(1 067)	(9 251)
Future development costs	(2 484)	(1 342)	(450)	(4 276)
Future income taxes	(2 909)	(695)	(620)	(4 224)
Future net cash flows	6 837	1 477	1 883	10 197
Discount at 10% per annum	(3 363)	(757)	(597)	(4 717)
Standardised measure	3 474	720	1 286	5 480

(a) Total future dismantlement, abandonment and rehabilitation obligations at 30 June 2004 are estimated to be US$1 079 million and this amount has been included in the Standardised measure calculation.

(b) Future costs to develop our proved undeveloped reserves over the next three years are expected to be US$868 million (2005), US$463 million (2006) and US$144 million (2007).

Changes in the Standardised measure are presented in the following table. The beginning of year and end of year totals are shown after reduction for income taxes and these, together with the changes in income tax amounts, are shown as discounted amounts (at 10 per cent per annum). All other items of change represent discounted amounts before consideration of income tax effects.

	2004 US$	2003 US$	2002 US$
Changes in the Standardised measure			
Standardised measure – beginning of period	**6 458**	5 480	5 409
Revisions:			
Prices, net of production costs	**2 584**	1 041	342
Revisions of quantity estimates [(a)]	**87**	971	599
Accretion of discount	**912**	789	781
Changes in production timing and other [(b)]	**(115)**	(1 020)	(1 136)
	9 926	7 261	5 995
Sales of oil and gas, net of production costs	**(2 273)**	(1 985)	(1 941)
Sales of reserves-in-place	**(23)**	–	–
Development costs incurred which reduced previously estimated development costs	**916**	855	656
Extensions and discoveries, net of future costs	**155**	577	778
Changes in future income taxes	**(680)**	(250)	(8)
Standardised measure – end of period	**8 021**	6 458	5 480

(a) Changes in reserves quantities are shown in the Oil and Gas Reserves tables.
(b) Includes the effect of foreign exchange and changes in future development costs.

Production

The table below details our Petroleum business' historical net crude oil and condensate, natural gas, LNG, LPG and ethane production by region for the three years ended 30 June 2004, 30 June 2003 and 30 June 2002. We have shown volumes and tonnages of marketable production, after deduction of applicable royalties, fuel and flare. We have included in the table average production costs per unit of production and average sales prices for oil and condensate and natural gas for each of those periods.

	2004	2003	2002
Crude oil and condensate production (millions of barrels)			
Australia/Asia	**38.9**	48.0	56.2
Americas	**7.5**	7.1	9.0
Europe/Middle East	**11.6**	10.8	13.3
Total	**58.0**	65.9	78.5
Natural gas production (billions of cubic feet)			
Australia/Asia (Domestic)	**165.3**	126.4	126.0
Australia/Asia (LNG) (leasehold production) [(a)]	**60.8**	62.0	59.6
Americas	**20.6**	20.6	25.2
Europe/Middle East	**77.6**	72.2	72.7
Total	**324.3**	281.2	283.5
Liquefied petroleum gas (LPG) production [(b)] (thousand tonnes)			
Australia/Asia (leasehold production)	**652.8**	644.2	612.0
Europe/Middle East (leasehold production)	**200.7**	98.9	85.6
Total	**853.5**	743.1	697.6
Ethane production (thousand tonnes)			
Australia/Asia (leasehold production)	**94.3**	94.9	87.1
Total petroleum products production (millions of barrels of oil equivalent) [(c)]	**122.5**	121.8	134.2
Average sales price			
Oil and condensate (US$ per barrel)	**32.24**	28.14	22.58
Natural gas (US$ per thousand cubic feet)	**2.62**	2.21	1.84
Average production cost [(d)]			
US$ per barrel of oil equivalent (including resource rent tax and other indirect taxes)	**7.78**	8.01	5.83
US$ per barrel of oil equivalent (excluding resource rent tax and other indirect taxes)	**3.27**	3.55	2.38

(a) LNG consists primarily of liquefied methane.

(b) LPG consists primarily of liquefied propane and butane.

(c) Total barrels of oil equivalent (boe) conversions based on the following: 6 000 scf of natural gas equals 1 boe; 1 tonne of LPG equals 11.6 boe; 1 tonne of ethane equals 4.4667 boe.

(d) Average production costs include direct and indirect production costs relating to the production and transportation of hydrocarbons to the point of sale. This includes shipping where applicable. Average production costs have been shown including and excluding resource rent tax and other indirect taxes and duties. Average production costs also include the foreign exchange effect of translating local currency denominated costs and secondary taxes into US dollars.

SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION

The statement of Mineral Resources and Ore Reserves presented in this report has been produced in accordance with the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the 'JORC Code'). Commodity prices and exchange rates used to estimate the economic viability of reserves are based on September 2003, BHP Billiton long-term forecasts unless otherwise stated. The Ore Reserves tabulated are all held within existing, fully permitted mining tenements. The BHP Billiton Group's mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC Code). Competent Persons for deposits located outside Australia may be members of Recognised Overseas Professional Organisations as recognised by the ASX. All Competent Persons have, at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC Code. Each Competent Person consents to the inclusion in this Report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resources and Ore Reserves figures presented are reported in 100 per cent terms, and represent estimates at 30 June 2004 (unless otherwise stated). All tonnes and grade information has been rounded; hence small differences may be present in the totals. All of the Mineral Resource information (unless otherwise stated) is inclusive of Mineral Resources that have been converted to Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

The information contained herein differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. BHP Billiton's US GAAP disclosures reflect the information reported to the SEC.

Mineral Resources and Ore Reserves are presented in the accompanying tables subdivided for each of the Customer Sector Groups.

Aluminium Customer Sector Group

Mineral Resources

The table below details the total inclusive Mineral Resources for the Aluminium Customer Sector Group as at 30 June 2004 and is presented in 100 per cent terms.

Bauxite Deposit	Ore Type	Measured Resource Tonnes (millions)	Measured Resource $A.Al_2O_3$[4] %	Indicated Resource Tonnes (millions)	Indicated Resource $A.Al_2O_3$[4] %	Inferred Resource Tonnes (millions)	Inferred Resource $A.Al_2O_3$[4] %	Total Resource Tonnes (millions)	Total Resource $A.Al_2O_3$[4] %	BHP Billiton Interest %
Australia										
Worsley [1][6]	Laterite	337	30.7	154	33.0	50	32.2	541	31.5	86
Brazil										
MRN [2][5][6]	MRN Crude	144	–	34	–	860	–	1 037	–	14.8
	MRN Washed	104	50.6	25	51.3	601	50.5	731	50.5	14.8
		Tonnes (millions)	Al_2O_3[4] %	Tonnes (millions)	Al_2O_3[4] %	Tonnes (millions)	Al_2O_3[4] %	Tonnes (millions)	Al_2O_3[4] %	
Suriname [7]										
Coermotibo [3]	Laterite	6.6	50.3	2.2	51.2	0.4	48.1	9.1	50.4	45
Onverdacht [3]	Laterite	16.4	58.1	24.3	57.1	–	–	40.7	57.5	45

(1) Worsley resource numbers are quoted on a dry basis; Competent Person is D Parmenter (MAIG).
(2) Resource tonnages for MRN, crude are quoted on a dry basis, washed are quoted with nominal 5 per cent moisture; Competent Person is V J van der Riet (MAusIMM).
(3) Coermotibo and Onverdacht resource numbers are quoted on a dry basis; Competent Person is D L Butty (EuroGeol).
(4) $A.Al_2O_3$ is Alumina as available alumina for Worsley and MRN, Al_2O_3 is total Alumina for Coermotibo and Onverdacht.
(5) MRN – Mineração Rio do Norte.
(6) The decrease in Worsley total resource is the net effect of new drilling and mining depletion during the year. The reduction in MRN crude and washed resource is due to mining depletion, adjustment of plateau internal mining perimeters for environmental considerations and selective mining.
(7) The restructuring of the Suriname mining joint venture in August 2003 placed the Eastern and Central Suriname bauxite deposits under a single mining and reporting entity. The Onverdacht deposits incorporate Lelydorp, Para N, Kankantrie N and other Central Suriname deposits, resource changes are the result of mining depletion and new resource estimates. The Coermotibo deposit is a deposit in Eastern Suriname in which BHP Billiton now has a 45 per cent interest. Prior to this date the Lelydorp mine and the Para N and Kankantrie N deposits were BHP Billiton's only reporting responsibility.

Aluminium Customer Sector Group continued

Ore Reserves

The table below details the total Ore Reserves for the Aluminium Customer Sector Group as at 30 June 2004 and is presented in 100 per cent terms.

Bauxite Deposit [1][3]	Ore Type	Proved Ore Reserve Tonnes (millions)	Proved Ore Reserve $A.Al_2O_3$[2] %	Probable Ore Reserve Tonnes (millions)	Probable Ore Reserve $A.Al_2O_3$[2] %	Total Ore Reserve Tonnes (millions)	Total Ore Reserve $A.Al_2O_3$[2] %	BHP Billiton Interest %
Australia								
Worsley [4][5]	Laterite	312	30.8	8.0	29.3	320	30.8	86
Brazil								
MRN [4][6]	MRN Crude	144	–	–	–	144	–	14.8
	MRN Washed	104	50.6	–	–	104	50.6	14.8
Suriname								
Coermotibo [7]	Laterite	5.8	45.7	0.5	40.6	6.3	45.4	45
Onverdacht [7]	Laterite	6.9	52.5	–	–	6.9	52.5	45

(1) Mining dilution and recovery are included in the ore reserve statements for each deposit except Coermotibo.
(2) Alumina as available alumina.
(3) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Worsley	maximum 100m	maximum 200m
MRN	A minimum bauxite intersection grid of 200 metres. Mining and metallurgical characterisation (test pit/bulk sample), plus a reliable suite of chemical and size distribution data.	No reserve quoted in this category
Coermotibo	61m x 61m	122m x 122m
Onverdacht	61m x 61m	No reserve quoted in this category

(4) Third party audits have been undertaken at Worsley and MRN, within the last 3 years.
(5) Worsley reserve tonnages are quoted on a dry basis; Competent Person is D Parmenter (MAIG).
(6) Mineração Rio do Norte (MRN) washed reserve tonnages and grades are quoted on a nominal 5 per cent moisture content basis; Competent Person is V J van der Riet (MAusIMM).
(7) Coermotibo and Onverdacht reserve tonnages are quoted on a dry basis; Competent Person is D L Butty (EuroGeol). The restructuring of the Suriname mining joint venture in August 2003 placed the Eastern and Central Suriname bauxite deposits under a single mining and reporting entity. The Onverdacht deposits incorporate Lelydorp, Para N, Kankantrie N and other Central Suriname deposits, while the Coermotibo deposit is a deposit in Eastern Suriname in which BHP Billiton now has a 45 per cent interest. Prior to this date the Lelydorp mine and the Para N and Kankantrie N deposits were BHP Billiton's only reporting responsibility.

Base Metals Customer Sector Group

Mineral Resources (2)(3)(11)

Details of the Mineral Resources for the Base Metals Customer Sector Group as at 30 June 2004 are presented in the table below in 100 per cent terms.

		Measured Resource					Indicated Resource				
Commodity Deposit	**Ore Type**	Tonnes (dmt millions)	%TCu (1)	%SCu (1)	g/tAu	g/tAg	Tonnes (dmt millions)	%TCu (1)	%SCu (1)	g/tAu	g/tAg
Copper											
Escondida (4)	Oxide	147	–	0.70	–	–	42	–	0.49	–	–
	Sulphide	684	1.39	–	–	–	852	1.00	–	–	–
	Sulphide leach	602	0.55	–	–	–	1 389	0.49	–	–	–
Escondida Norte (4)	Oxide	19	–	0.52	–	–	111	–	0.81	–	–
	Sulphide	193	1.65	–	–	–	410	1.23	–	–	–
	Sulphide leach	65	0.61	–	–	–	589	0.53	–	–	–
Pinto Valley (5)	Sulphide	697	0.20	–	–	–	16	0.34	–	–	–
Pinto Valley Miami unit (5)	In situ leach	174	0.32	–	–	–	40	0.32	–	–	–
Tintaya (6)	Oxide	7	1.37	0.97	–	–	29	1.83	1.37	–	–
	Sulphide	36	1.44	–	0.26	6.07	47	1.52	–	0.21	6.46
Cerro Colorado (7)	Oxide	78	0.70	0.53	–	–	136	0.71	0.52	–	–
	Sulphide	37	0.91	0.14	–	–	77	0.74	0.12	–	–
Spence (8)	Oxide	41	1.34	0.99	–	–	46	0.93	0.69	–	–
	Supergene sulphide	113	1.36	–	–	–	168	0.82	–	–	–
	Transitional sulphide	22	0.61	–	–	–	29	0.50	–	–	–
Copper Zinc		Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo
Antamina (9)	Sulphide	291	1.20	0.93	13.3	0.031	251	1.08	0.82	12.3	0.029
Silver Lead Zinc		Tonnes (dmt millions)	g/tAg	%Pb	%Zn		Tonnes (dmt millions)	g/tAg	%Pb	%Zn	
Cannington (10)	Sulphide	18	576	12.36	4.36		9	460	10.74	4.22	

(1) %TCu – per cent total copper, %SCu – per cent soluble copper.

(2) **Competent Persons**
Escondida, Escondida Norte: R R Roco (MAusIMM)
Pinto Valley, Pinto Valley Miami unit: J Gage (MAusIMM)
Tintaya: D T Brost (MAusIMM)
Cerro Colorado: E Fernández (MAIG)
Spence: M J Williams (MAusIMM)
Antamina: D Gurtler (MAusIMM)
Cannington: A J Edwards (MAusIMM).

(3) All Resources in the Base Metals Customer Sector Group are quoted inclusive of Reserves. Material changes from the 2003 report are discussed in subsequent footnotes and include depletion through mining, adjusted for reconciliation for all operating properties. Third party audits have been conducted on the resource base of Escondida, Escondida Norte, Tintaya, Cerro Colorado and Spence in the past three years.

(4) Escondida and Escondida Norte are adjacent supergene-enriched porphyry copper deposits mined by open pit methods and share a common processing plant complex. Changes in the Resources for both deposits include an updated resource model that incorporates additional in-fill and step-out drilling, and revised cut-off grades. Approval in April 2004 of the Sulphide Leach Project has resulted in a new category named 'Sulphide Leach' that includes the previously named Low Grade Float, Low Grade Leach, and Mixed Resource categories. There is a significant increase on the tonnages reported for this material as a consequence of the low grade Primary mineralisation now being considered to be processed by this Sulphide Leach process. Stockpiled materials removed from the Escondida mine are included as Measured Resource for the appropriate ore type.

(5) The Pinto Valley Operations consist of two units: the Pinto Valley unit is a low-grade porphyry copper deposit that consists of an open pit and mill complex and a low-grade sulphide heap leach plus SX-EW, and the Miami unit that is an in situ leach plus SX-EW operation within the upper parts of an oxidised and enriched porphyry copper deposit. Both units are currently on care and maintenance status, except that the SX-EW units are processing leach solutions that are continuing to be cycled through the leachable resources. Low-grade stockpiles currently under leach at the Pinto Valley unit are combined with the higher-grade open pit Measured Resource. Changes to Resources consist of depleting reported grades by recovered cathode copper during FY2004.

Inferred Resource Tonnes (dmt millions)	%TCu (1)	%SCu (1)	g/tAu	g/tAg	Total Resource Tonnes (dmt millions)	%TCu (1)	%SCu (1)	g/tAu	g/tAg	BHP Billiton Interest %
27	–	0.43	–	–	217	–	0.63	–	–	57.5
617	0.90	–	–	–	2 153	1.10	–	–	–	57.5
3 073	0.47	–	–	–	5 064	0.48	–	–	–	57.5
35	–	0.63	–	–	165	–	0.74	–	–	57.5
185	0.94	–	–	–	788	1.26	–	–	–	57.5
1 177	0.48	–	–	–	1 830	0.50	–	–	–	57.5
2	0.25	–	–	–	715	0.20	–	–	–	100
–	–	–	–	–	214	0.32	–	–	–	100
3	1.47	1.10	–	–	39	1.71	1.27	–	–	99.95
22	1.47	–	0.16	5.97	105	1.48	–	0.22	6.22	99.95
27	0.56	0.34	–	–	241	0.69	0.50	–	–	100
16	0.61	0.12	–	–	130	0.77	0.13	–	–	100
1	0.74	0.57	–	–	88	1.12	0.83	–	–	100
6	0.65	–	–	–	287	1.03	–	–	–	100
0.4	0.54	–	–	–	51	0.55	–	–	–	100
Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	
28	0.79	0.99	13.0	0.016	570	1.13	0.88	12.9	0.030	33.75
Tonnes (dmt millions)	g/tAg	%Pb	%Zn		Tonnes (dmt millions)	g/tAg	%Pb	%Zn		
8	364	8.64	3.57		35	498	11.09	4.14		100

(6) The Tintaya deposit is a copper skarn system consisting of a series of adjacent open pits that feed a mill and SX-EW plant. In addition to depletion through mining, 5 million dmt underlying the exhausted Chabuca and Chabuca Sur pits were removed as declarable Resources.

(7) Cerro Colorado is an open pit mine that lies within the oxidised and enriched portion of a porphyry copper deposit, with ore processed by leaching and SX-EW. Changes include the results of in fill and exploration drilling incorporated into an updated model that resulted in an increase to the total resource and improved confidence. The Measured Resources stated herein include 7.2 million dmt of stockpiled low-grade sulphides that were included in the 2003 declaration as Reserves, but not Resources.

(8) Spence is an enriched and oxidised porphyry copper deposit that is in feasibility study to be developed by open cut mining and heap leaching of crushed ore. The resource estimate is essentially unchanged from June 2002, but does include some changes in material categories. Resources contained in the category 'Supergene Sulphide' are identical to those reported as 'Leachable Sulphide' in 2003. The resource category is renamed to remove the process route association from its name in favour of a copper mineralogy association. 'Transitional Sulphide' is added as resource since it contains variable but important quantities of leachable sulphide minerals (chalcocite and covellite). Dump leach infrastructure has been added to the current feasibility study and will be available to process this mineralisation.

(9) Antamina is a polymetallic skarn mined by open pit truck and shovel methods with Cu and Cu-Zn ores separately processed in a single mill and concentrator. Resources were previously stated to be exclusive of Reserves. To maintain consistency with other BHP Billiton operations, the Resources are herein stated inclusive of Ore Reserves.

(10) The Cannington Ag-Pb-Zn deposit is a Broken Hill Type (BHT) deposit located in the Eastern Succession of the Mt Isa inlier. Results from ongoing underground diamond drilling and geological interpretation resulted in minor and local changes, and higher confidence classification of resources. Changes in metal prices and exchange rates increased value of ore at constant contained metals, resulting in a slight increase of tonnage above a given dollar per tonne cut-off.

(11) The following no longer carry Resources for BHP Billiton: Selbaie Cu-Zn mine in Quebec, Canada was closed in May 2004 due to reserve depletion, the Robinson Cu deposit in Nevada, US was sold to Quadra Mining in April 2004, and the Highland Valley mine in British Columbia, Canada was sold to Teck Cominco in March 2004.

Base Metals Customer Sector Group continued

Ore Reserves (1)(2)(3)

The table below details the total Ore Reserves for the Base Metals Customer Sector Group as at 30 June 2004 and is presented in 100 per cent terms.

Commodity Deposit	Ore Type	Proved Ore Reserve Tonnes (dmt millions)	%TCu (4)	%SCu (4)	g/tAu	g/tAg
Copper						
Escondida (5)(11)	Oxide	142	–	0.72	–	–
	Sulphide	665	1.39	–	–	–
	Sulphide leach	494	0.57	–	–	–
Escondida Norte (6)(11)	Oxide	–	–	–	–	–
	Sulphide	188	1.65	–	–	–
	Sulphide leach	53	0.54	–	–	–
Tintaya (7)(11)	Oxide	7	1.37	0.97	–	–
	Sulphide	28	1.32	–	0.24	5.65
Cerro Colorado (8)(11)	Oxide	71	0.70	0.54	–	–
	Sulphide	30	0.94	0.14	–	–
		Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo
Copper Zinc						
Antamina (9)(12)	Sulphide	264	1.27	1.01	14.2	0.031
		Tonnes (dmt millions)	g/tAg	%Pb	%Zn	
Silver Lead Zinc						
Cannington (10)	Sulphide	15	507	11.00	3.82	

(1) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Escondida	Oxide: 55m x 55m Sulphide: 60m x 60m Sulphide leach: 60m x 60m	Oxide: 60m x 60m Sulphide: 100m x 100m Sulphide leach: 110m x 110m
Escondida Norte	Oxide: 48m x 48m Sulphide: 54m x 54m Sulphide leach: 60m x 60m	Oxide: 60m x 60m Sulphide: 90m x 90m Sulphide leach: 125m x 125m
Tintaya	Drill grid of 25 meters or less, except in the Chabuca area, where a maximum grid of 18 meters is used.	Maximum drill grid of 50 meters, except for the Chabuca and Chabuca Sur areas, where a maximum spacing of 37 meters is used.
Cerro Colorado	First kriging pass (50m spacing)	Second kriging pass (70m spacing)
Antamina	High-Grade Cu/Zn: 3 holes within 55m, closest hole within 40m	Variable between domains, 3 holes within 55m to 120m and closest within 40 to 75m
Cannington	12.5m sectional x 15m vertical	25m sectional x 25m vertical

(2) Metallurgical recoveries for the operations are:

% Metallurgical Recovery	TCu	SCu	Zn	Ag	Pb
Escondida Oxide		80			
Escondida Sulphide	84				
Escondida Sulphide Leach	37				
Escondida Norte Oxide		54			
Escondida Norte Sulphide	88				
Escondida Norte Sulphide Leach	29				
Tintaya Oxide		78			
Tintaya Sulphide	89				
Cerro Colorado Oxide		80			
Cerro Colorado Sulphide	80				
Antamina	88 – 95		0 (Cu-only) 86 (Cu-Zn)	65 – 90	
Cannington			72	88	89

(3) **Competent Persons**
Escondida, Escondida Norte: P R Fehlandt (MAusIMM)
Tintaya: A A Zuzunaga (MAusIMM)
Cerro Colorado: R Contreras (MAusIMM)
Antamina: D Gurtler (MAusIMM)
Cannington: K Sommerville (MAusIMM).

Probable Ore Reserve					Total Ore Reserve					BHP Billiton Interest
Tonnes (dmt millions)	%TCu (4)	%SCu (4)	g/tAu	g/tAg	Tonnes (dmt millions)	%TCu (4)	%SCu (4)	g/tAu	g/tAg	%
24	–	0.61	–	–	166	–	0.70	–	–	57.5
773	1.01	–	–	–	1 438	1.19	–	–	–	57.5
704	0.53	–	–	–	1 197	0.55	–	–	–	57.5
125	–	0.78	–	–	125	–	0.78	–	–	57.5
392	1.23	–	–	–	580	1.37	–	–	–	57.5
450	0.57	–	–	–	503	0.56	–	–	–	57.5
27	1.78	1.34	–	–	34	1.69	1.26	–	–	99.95
28	1.46	–	0.18	6.14	56	1.39	–	0.21	5.90	99.95
75	0.76	0.59	–	–	145	0.73	0.57	–	–	100
30	0.80	0.14	–	–	60	0.87	0.14	–	–	100
Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	
221	1.17	0.89	13.2	0.029	485	1.22	0.96	13.7	0.030	33.75
Tonnes (dmt millions)	g/tAg	%Pb	%Zn		Tonnes (dmt millions)	g/tAg	%Pb	%Zn		
7	408	9.62	4.01		22	476	10.57	3.88		100

(4) %TCu – per cent total copper, %SCu – per cent soluble copper.

(5) Differences between the 2004 and 2003 ore reserve statements is from depletion through production, updated mineral resource block model, revised cut-off grades, and the declaration of new reserves ore types as described in the Mineral Resources section. Economic pit shells and their cut-off grades have been recalculated after updates to the mineral resource model. Following the mineral resource statement, the Low Grade Float and Mixed ore types are now combined in the new 'Sulphide Leach' ore type. There is a significant increase in declared tonnes compared to prior statements due to the Low Grade Leach material now converted to reserves as a consequence of the Sulphide Leach Project approval. Measured mineral resource of mixed mineralisation is converted into Probable Sulphide Leach ore reserve to reflect uncertainty in some of the modifying factors. Stockpiled material is included in the appropriate ore type as Proved Reserve (with the exception of the mixed mineralisation). Ore reserves quoted are based on an ultimate pit which valued Measured, Indicated and Inferred Resources for Sulphide and Oxide material types only. Reported Proved and Probable Reserves are derived from Measured and Indicated Resources only within the Ultimate Pit, after modifying factors have been applied.

(6) Differences between the 2004 and 2003 ore reserve statements are due to an updated mineral resource block model, revised cut-off grades, and the declaration of new reserves ore types as described in the Mineral Resources section. Economic pit shells and their associated cut-off grades have been recalculated after updates to the mineral resource model. Following the mineral resource statement, the Low Grade Float and Mixed ore types are now combined in the new 'Sulphide Leach' ore type. There is a significant increase in declared tonnes compared to the previous statement due to the low-grade sulphides within the range 0.3% ≤ TCu <0.5% being quoted for the first time. As a consequence of the Sulphide Leach Project approval, all low-grade sulphides and mixed mineral resources are now converted to ore reserves. Ore reserves herein quoted are based on an ultimate pit which values Measured, Indicated and Inferred Resources for Sulphide and Oxide material types only. Reported Proved and Probable Reserves are derived from Measured and Indicated Resources only within the Ultimate Pit, after modifying factors have been applied.

(7) The Tintaya mine and concentrator resumed operations in October 2003 due to improved market conditions. Changes to the total Ore Reserves are due to depletion through production adjusted by reconciliation and mining of Inferred Resources. Oxide stockpiles characterised by a post-stockpile drilling program comprise Oxide Proved Resources, while Oxide Probable Resources include all in situ oxide ore combined with 8 million dmt of oxide stockpiles in which TCu and SCu grades are estimated from production data.

(8) Changes in the Cerro Colorado Reserves reflect changes in the Resource base based on drilling and updated interpretation, and include depletion through mining, adjusted by reconciliation.

(9) The 2004 Reserves are based on the 2003 report depleted by production that is adjusted by reconciliation. As in the previous reports, Sulphide ore combines both Cu-only and Cu-Zn ore types. Some zinc metal is contained in Cu-only ores that will not be processed through the zinc flotation circuit.

(10) Increased Proved Reserves are due to upgrading of material from Probable as a result of ongoing diamond drilling program. (Mainly North Block and R4 Block.) Changes from 2003 include depletion through production, adjusted by reconciliation and ore produced from development workings not carried as Reserves.

(11) Third party audits have been conducted on the Reserves of Escondida, Escondida Norte, Tintaya and Cerro Colorado in the past three years.

(12) In addition to note (9) provided by the Competent Person, the Group makes the following disclosure regarding Antamina consistent with that made in other jurisdictions. A reconciliation of production results during 2002 and 2003 against the pre-production reserve model has shown some discrepancies in the quantities and grades of ore. Following this, further drilling (30 000 metres) occurred and an interim resource model was completed. A reconciliation of this interim model has also indicated some discrepancies in its ability to predict accurately the quantities and grades of ore. In addition, while mining of the Antamina ore body has demonstrated continuity of the economically mineralised zones, the erratic nature of the ore types and grades within these zones has led to a proposal to tighten the criteria for proved and probable reserve classification. The final decision on classification criteria is still under review as part of the drilling, resource modelling and validation work program currently in progress. As part of this program, some 114 000 metres of core drilling has commenced and is expected to be completed by calendar year end. Drilling results received to date support the reported reserves and until the updated reserve model is completed, probably in calendar 2005, the pre-production reserve model continues to provide the best reserve estimate for Antamina.

Carbon Steel Materials Customer Sector Group

Mineral Resources

The tables below detail iron ore, manganese and metallurgical coal Mineral Resources (in metric tonnes) estimated in 100 per cent terms as at 30 June 2004. All resource figures are total Mineral Resources inclusive of material converted to Ore Reserves.

Iron Ore Mineral Resources

Ownership Deposit	Ore Type	Measured Resource Tonnes (wmt millions)	%Fe	%P	Indicated Resource Tonnes (wmt millions)	%Fe	%P	Inferred Resource Tonnes (wmt millions)	%Fe	%P	Total Resource Tonnes (wmt millions)	%Fe	%P	BHP Billiton Interest %
Iron Ore (1)(2)(3)(4)														
Mt Newman JV	BKM	689	63.7	0.06	567	61.1	0.09	253	61.5	0.10	1 509	62.4	0.08	85
	MM	157	61.7	0.07	82	60.0	0.06	672	59.3	0.07	911	59.7	0.07	85
Jimblebar	BKM	240	61.6	0.07	115	61.7	0.08	755	61.5	0.13	1 110	61.5	0.11	100
	MM	–	–	–	–	–	–	17	60.2	0.10	17	60.2	0.10	100
Mt Goldsworthy JV Northern Areas	NIM	55	61.4	0.06	101	61.7	0.05	78	60.1	0.06	234	61.1	0.06	85
Mt Goldsworthy JV Area C (5)	BKM	22	58.5	0.07	19	58.5	0.07	71	62.2	0.12	111	60.8	0.10	85
	MM	413	61.6	0.06	212	62.3	0.06	376	61.1	0.06	1 001	61.6	0.06	85
Yandi JV	BKM	–	–	–	–	–	–	195	59.0	0.15	195	59.0	0.15	85
	CID	675	58.0	0.04	530	57.3	0.04	129	57.7	0.04	1 334	57.7	0.04	85
BHP Billiton Minerals	BKM	–	–	–	–	–	–	244	60.7	0.13	244	60.7	0.13	100
BHP Coal (6)	BKM	–	–	–	83	59.6	0.14	85	61.2	0.16	167	60.5	0.15	100
	MM	–	–	–	51	60.4	0.06	158	61.8	0.06	209	61.5	0.06	100
		Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	
Samarco JV (7)	ROM	570	45.4	0.05	896	43.3	0.04	1 569	46.7	0.05	3 036	45.5	0.04	50

(1) Resources are divided into joint ventures, and material types that reflect the various products produced. The bedded ore material types are classified by the host Archaean or Proterozoic banded iron-formations. These are BKM – Brockman, MM – Marra Mamba and NIM – Nimingarra. The CID – Channel Iron Deposit or pisolite – are Cainozoic fluvial sediments. ROM is run of mine ore.

(2) The resource grades listed refer to in situ, iron (Fe) and phosphorus (P), on a dry weight basis. Moisture content for BKM = 3%, MM = 4%, CID = 8%, NIM = 3.5%

(3) Changes in Mt Newman JV Resources are due to changes in the Fe cut-off used for reporting OB18 and OB24 and review of estimates for OB32, OB40, OB42 and OB43. Changes to Goldsworthy JV Northern Areas Resources are due to significant new drilling and geological modelling. Changes to Yandi JV Resources are due to new geological models for the Western (1 to 6) deposits and Eastern 356 and changes to Fe cut-off used for reporting for some deposits. Other iron ore resource changes are predominantly related to mining depletion.

(4) **Competent Persons**
Mt Newman JV, Jimblebar, Yandi JV : H Arvidson (MAusIMM) and I Tehnas (MAusIMM)
Mt Goldsworthy JV Northern Areas: D Podmore (MAusIMM)
Mt Goldsworthy JV Area C: I Tehnas (MAusIMM) and H Arvidson (MAusIMM)
BHP Billiton Minerals, BHP Coal: I Tehnas (MAusIMM)
Samarco JV: J E Tizon (MAusIMM).

(5) Whilst 85 per cent is shown as the 'BHP Billiton Interest' for Area C, POSCO (a Korean steelmaker) has a 20 per cent legal interest in the C Deposit of Area C. In substance, the Group retains virtually all of this interest and this disclosure and the financial statements are prepared on this basis.

(6) The Renison JV has expired and therefore ownership has reverted to the original BHP Billiton entity BHP Coal Pty Ltd.

(7) Changes in the Samarco resource from that reported in the 2003 Annual Report are due to exploratory drilling results, cut-off grade changes and the use of updated density parameters.

Carbon Steel Materials Customer Sector Group continued

Manganese Mineral Resources

Deposit	Ore Type	Measured Resource Tonnes (dmt millions)	%Mn	%Yield	Indicated Resource Tonnes (dmt millions)	%Mn	%Yield	Inferred Resource Tonnes (dmt millions)	%Mn	%Yield	Total Resource Tonnes (dmt millions)	%Mn	%Yield	BHP Billiton Interest %
Manganese (1)(2)														
GEMCO (3)	ROM	70	48.5	47	42	47.0	46	41	45.7	48	153	47.3	47	60
Wessels	ROM	4.8	48.0	–	20	48.0	–	0.2	48.1	–	25	48.0	–	60
		Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	
Mamatwan	ROM	36	37.7	4.6	21	37.2	4.7	10	36.9	4.5	67	37.4	4.6	60

(1) **Competent Persons**
GEMCO: E P W Swindell (SACNASP)
Wessels: E P Ferreira (SACNASP)
Mamatwan: O van Antwerpen (SACNASP).

(2) GEMCO total resources decreased due to revised orebody model and particularly a revision to the density used. The total Mamatwan manganese resource increased due to a change in the cut-off to match the cut-off in use at the mine, a reduction in the Wessels resource due to revision to the geological model and the reduction in available ground following the repeal of Minerals Act 50 (1991) on 30 April 2004 and the consequent termination of the section 10 mining authorisation over certain ground.
This reduced the available ground at Wessels Mine to the following leases: 1/1975 (254.7368 ha) and 6/1980 as amended to 7/1983 (342.1668 ha).

(3) GEMCO Mn grades are reported as washed sample grades and as such reflect a mineral product grade.

Carbon Steel Materials Customer Sector Group continued

Metallurgical Coal Resources [1][2]

Ownership Deposit	Mining Method [3]	Coal Type [4]	Measured Resource Tonnes (millions)	Measured Resource %VM [5]	Measured Resource kcal/kg CV [5]	Measured Resource %Ash [5]	Measured Resource %S [5]	Indicated Resource Tonnes (millions)	Indicated Resource %VM [5]	Indicated Resource kcal/kg CV [5]	Indicated Resource %Ash [5]	Indicated Resource %S [5]
Queensland Coal Resources at operating mines												
CQCA JV												
Goonyella [6]	OC	Met	475	23.7	–	9.0	0.54	312	23.1	–	9.3	0.53
	UG	Met	43	23.4	–	6.1	0.49	559	22.3	–	8.6	0.53
Peak Downs [7]	OC	Met	891	20.4	–	–	–	272	21.8	–	–	–
	UG	Met	–	–	–	–	–	345	20.5	–	–	–
Saraji [7]	OC, UG	Met	350	18.5	–	–	–	288	17.9	–	–	–
Norwich Park [7]	OC, UG	Met	248	17.6	–	–	–	168	17.4	–	–	–
Blackwater [7]	OC, UG	Met	210	25.8	7 515	–	–	147	25.6	7 510	–	–
South Blackwater [7]	OC	Met/Th	97	–	7 170	–	–	89	–	7 067	–	–
	UG	Met/Th	–	–	–	–	–	344	–	7 242	–	–
Gregory JV												
Gregory Crinum [7]	OC	Met	16	33.5	–	–	–	6	33.8	–	–	–
	UG	Met	65	33.6	–	–	–	66	33.0	–	–	–
BHP Mitsui												
Riverside [7][8]	OC	Met	6	22.8	–	–	–	2	24.2	–	–	–
South Walker Ck [7]	OC, UG	Met/Th	95	13.0	7 725	–	–	198	14.7	7 651	–	–
Queensland Coal Undeveloped Resources												
CQCA JV												
Red Hill [9]	UG	Met	90	20.9	–	–	–	406	19.6	–	–	–
	OC	Met/Th	–	–	–	–	–	25	26.3	–	12.4	0.50
Daunia	OC	Met/Th	75	20.5	–	–	–	24	20.3	–	–	–
Peak Downs East	UG	Met	–	–	–	–	–	668	17.5	–	–	–
BHP Mitsui												
Wards Well	UG	Met/Th	331	–	–	–	–	289	–	–	–	–
Lancewood	UG	Met	–	–	–	–	–	112	20.6	–	–	–
Bee Creek	OC	Met/Th	–	–	–	–	–	55	14.4	–	–	–
Nebo West	OC	Th	–	–	–	–	–	178	7.5	6 930	–	–
Poitrel/Winchester	OC	Met/Th	95	22.5	–	–	–	41	23.6	–	–	–
Gregory JV												
Liskeard	OC	Met	6	34.6	–	–	–	–	–	–	–	–
Illawarra Coal Resources at operating mines												
Appin	UG	Met/Th	161	–	–	–	–	195	–	–	–	–
West Cliff	UG	Met/Th	190	–	–	–	–	70	–	–	–	–
Cordeaux	UG	Met/Th	124	–	–	–	–	87	–	–	–	–
Elouera	UG	Met/Th	61	–	–	–	–	41	–	–	–	–
Dendrobium	UG	Met/Th	205	–	–	–	–	195	–	–	–	–
Illawarra Coal Undeveloped Resources												
A248 & 442	UG	Met/Th	128	–	–	–	–	231	–	–	–	–

(1) **Competent Persons**
Queensland Coal Operations and undeveloped resources: D Dunn (MAusIMM)
Illawarra Coal Operations and undeveloped resources: B Clark (MAusIMM).

(2) Coal Resources are quoted in total inclusive of coal reserves.

(3) Mining method: OC = open cut, UG = underground.

Inferred Resource Tonnes (millions)	%VM (5)	kcal/kg CV (5)	%Ash (5)	%S (5)	Total Resource Tonnes (millions)	%VM (5)	kcal/kg CV (5)	%Ash (5)	%S (5)	BHP Billiton Interest %
110	21.7	–	9.5	0.52	896	23.3	–	9.1	0.53	50
84	22.0	–	9.0	0.53	685	22.4	–	8.5	0.53	50
35	22.6	–	–	–	1 198	20.8	–	–	–	50
147	21.1	–	–	–	492	20.7	–	–	–	50
72	18.1	–	–	–	710	18.2	–	–	–	50
143	17.4	–	–	–	559	17.5	–	–	–	50
318	25.2	7 460	–	–	675	25.5	7 490	–	–	50
67	–	7 222	–	–	253	–	7 148	–	–	50
385	–	7 005	–	–	729	–	7 117	–	–	50
1	32.6	–	–	–	22	33.6	–	–	–	50
3	32.9	–	–	–	134	33.3	–	–	–	50
2	25.0	–	–	–	9	23.5	–	–	–	80
79	13.0	7 711	–	–	372	13.9	7 683	–	–	80
306	18.0	–	–	–	801	19.1	–	–	–	50
–	–	–	–	–	25	26.3	–	12.4	0.50	50
–	–	–	–	–	99	20.5	–	–	–	50
104	18.4	–	–	–	772	17.7	–	–	–	50
–	–	–	–	–	620	21.6	–	–	–	80
–	–	–	–	–	112	20.6	–	–	–	80
5	13.0	–	–	–	60	14.2	–	–	–	80
–	–	–	–	–	178	7.5	6 930	–	–	80
8	24.5	–	–	–	144	22.9	–	–	–	80
–	–	–	–	–	6	34.6	–	–	–	50
38	–	–	–	–	394	–	–	–	–	100
11	–	–	–	–	271	–	–	–	–	100
4	–	–	–	–	215	–	–	–	–	100
1	–	–	–	–	102	–	–	–	–	100
78	–	–	–	–	477	–	–	–	–	100
72	–	–	–	–	431	–	–	–	–	100

(4) Coal type: Met = metallurgical coal, Th = thermal coal.
(5) Coal quality is for a potential product rather than the in situ quality and is on air dried basis. CV is calorific value, VM is volatile matter, and S is sulphur.
(6) Change due to depletion, additional data, remodelling, reclassification and amendment of OC and UG limits due to approval of Broadmeadow UG.
(7) Change due to depletion.
(8) Riverside and Goonyella mines are operated as a single mine; the Riverside Coal Resource quoted is a resource figure agreed to by the parties.
(9) Change due to inclusion of Rangals Resources in recent study.

Carbon Steel Materials Customer Sector Group continued

Ore Reserves

The tables below detail our iron ore, manganese and metallurgical coal Reserves (in metric tonnes) estimated as at 30 June 2004 in 100 per cent terms.

Iron Ore Reserves

Ownership Deposit	Ore Type [6]	Proved Ore Reserve [5] Tonnes (wmt millions)	%Fe	%P	Probable Ore Reserve [5] Tonnes (wmt millions)	%Fe	%P	Total Ore Reserve Tonnes (wmt millions)	%Fe	%P	BHP Billiton Interest %
Iron Ore [1][2][3][4][7]											
Mt Newman JV [8]	BKM	569	62.9	0.06	320	62.1	0.09	889	62.6	0.07	85
	MM	52	62.3	0.07	14	61.7	0.05	66	62.2	0.07	85
Jimblebar [8]	BKM	154	62.3	0.07	56	62.2	0.08	210	62.3	0.07	100
Mt Goldsworthy JV Northern Areas	NIM	9	61.9	0.07	3	61.9	0.03	13	61.9	0.06	85
Mt Goldsworthy JV Area C [8][9]	MM	343	62.0	0.06	156	62.5	0.06	499	62.2	0.06	85
Yandi JV [8]	CID	555	57.9	0.04	346	57.1	0.04	901	57.6	0.04	85
		Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	
Samarco JV [10]	ROM	328	45.8	0.04	208	45.1	0.04	536	45.6	0.04	50

(1) The Reserve grades listed refer to head grades for iron (Fe) and phosphorus (P), on a dry weight basis. Moisture content for BKM = 3%, MM = 4%, CID = 8%, NIM = 3.5%. Iron Ore is marketed as Lump (direct blast furnace feed) and Fines (sinter plant feed). Samarco is marketed predominantly as direct reduction and blast furnace pellets.

(2) Mining dilution and mining recovery (in general around 95 per cent) has been taken into account in the estimation of reserves for all Western Australian Iron Ore operations. For Samarco the mine recovery is 96.5 per cent (not included in the reserve estimate) of the stated diluted reserve.

(3) Metallurgical recovery is 100 per cent for all of the West Australian Iron Ores except for the low-grade part of the Whaleback deposit (181 million tonnes) where the beneficiation plant recovery is 59 per cent. For Samarco the beneficiation plant recovery is 57 to 59 per cent.

(4) The following third party audits have been undertaken: Mt Newman JV Long-Term Mine Plan Audit, MineNet Consulting Mining Engineers, 2004; Jimblebar Mine Planning Review, MineNet Consulting Mining Engineers, 2003; and Mt Goldsworthy JV Northern Areas Mine Planning Review, Mine Operations, MineNet Consulting Mining Engineers, 2001.

(5) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Mt Newman JV	100m x 50m	300m x 50m
Jimblebar	50m x 50m	100m x 50m
Mt Goldsworthy JV Northern Areas	25m x 25m generally	50m x 50m generally
Mt Goldsworthy JV Area C	240m x 60m	600m x 60m
Yandi JV	100m x 100m main ore zone, 75m x 75m weathered, marginal and basal zones	150m x 150m
Samarco JV	ALE 126: 180m x 159m x 16m, ALE 345: 150m x 114m x 16m, ALE 7: 150m x 150m x 16m, ALE 8: 250m x 250m x 16m, ALE 9: 150m x 150m x 24m	ALE 126: 360m x 318m x 16m, ALE 345: 300m x 228m x 16m, ALE 7: 300m x 300m x 16m, ALE 8: 500m x 500m x 16m, ALE 9: 300m x 300m x 24m

(6) Ore types are BKM – Brockman, MM – Marra Mamba, NIM – Nimingarra, and CID – Channel Iron Deposit.

(7) **Competent Persons**
Mt Newman JV, Jimblebar, Mt Goldsworthy JV Area C, Yandi JV: R Pasyar (MAusIMM) and P Schultz (MAusIMM)
Mt Goldsworthy JV Northern Areas: R Richardson (MAusIMM)
Samarco JV: J E Tizon (MAusIMM).

(8) Changes to the Reserves for Mt Newman JV and Jimblebar are due to changes to Fe cut-off grades used for reporting and changes to reconciliation factors. For Newman satellite mines and Jimblebar, low-grade screen material is no longer included in the Reserve due to the change in cut-off grade. Changes to Reserves for Area C and Yandi are due to completion of a new life of mine plan that incorporates deposits not previously reported, as well as changes to the Fe cut-off grade used for reporting. Changes to Yandi are also due to the inclusion of Lower CID, which has previously not been considered as a Reserve.

(9) Whilst 85 per cent is shown as the 'BHP Billiton Interest' for Area C, POSCO (a Korean steelmaker) has a 20 per cent legal interest in the C Deposit of Area C. In substance, the Group retains virtually all of this interest and this disclosure and the financial statements are prepared on this basis.

(10) Changes in the Samarco reserve from that reported in the 2003 Annual Report are due to conversion of resource to reserve based on exploratory drilling results, the use of updated density parameters and depletion due to production.

Carbon Steel Materials Customer Sector Group continued

Manganese Ore Reserves

Deposit	Ore Type	Proved Ore Reserve Tonnes (dmt millions)	%Mn	%Yield	Probable Ore Reserve Tonnes (dmt millions)	%Mn	%Yield	Total Ore Reserve Tonnes (dmt millions)	%Mn	%Yield	BHP Billiton Interest %
Manganese (1)(2)(3)											
GEMCO	ROM	61	48.7	47	34	47.4	46	95	48.2	47	60
Wessels	ROM	2.5	48.0	–	10	48.0	–	13	48.0	–	60
		Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	
Mamatwan (4)	ROM	33	37.7	4.6	19	37.2	4.7	52	37.5	4.6	60

(1) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
GEMCO	60m x 120m and 60m x 60m	120m x 120m
Wessels	Underground sampling within a 50m to 75m radius and incorporating 180m on average spaced surface holes.	Based predominately on 180m spaced drill holes supplemented by some underground drilling.
Mamatwan	40m x 40m	80m x 80m

(2) Metallurgical recoveries for the operations are:

	% Metallurgical Recovery
GEMCO	56.60%
Wessels	75%
Mamatwan	96%

(3) **Competent Persons**
GEMCO: E P W Swindell (SACNASP)
Wessels: E P Ferreira (SACNASP)
Mamatwan: O van Antwerpen (SACNASP).

(4) Mamatwan cut-off grade was revised from 37.5 per cent to 35 per cent.

Carbon Steel Materials Customer Sector Group continued

Metallurgical Coal Reserves (6)

Ownership	Deposit	Mining Method (1)	Recoverable Reserve (7) Tonnes (millions)	Marketable Reserve (7) Tonnes (millions)	Calorific Value (2) (kcal/kg)	Volatile Matter (2) %	Sulphur (2) %	BHP Billiton Interest %
Queensland Coal Reserves at operating mines								
CQCA JV	Goonyella (3)	OC, UG	885	567	–	23.6	0.53	50
	Peak Downs (4)	OC	981	555	–	20.4	–	50
	Saraji (4)	OC	575	331	–	18.4	–	50
	Norwich Park (4)	OC	100	71	–	16.8	–	50
	Blackwater (4)	OC	333	276	–	25.5	–	50
	South Blackwater (4)	OC	66	66	–	29.1	–	50
Gregory JV	Gregory (4)	OC	15	13	–	34.1	–	50
	Crinum (4)	UG	50	42	–	31.6	–	50
BHP Mitsui	Riverside (4)(5)	OC	4.4	3.1	–	–	–	80
	South Walker Ck (4)	OC	129	92	–	13.0	–	80
Queensland Coal Undeveloped Reserves								
CQCA JV	Daunia	OC	73	64	–	20.2	–	50
BHP Mitsui	Poitrel/Winchester	OC	79	62	–	22.8	–	80
	Nebo West	OC	22	16	–	7.0	–	80
Illawarra Coal Reserves at operating mines								
	Appin	UG	88	76	8 123	22.7	0.33	100
	West Cliff	UG	73	62	8 240	20.8	0.36	100
	Elouera	UG	3.0	2.1	8 261	23.9	0.57	100
	Dendrobium	UG	106	73	8 266	22.9	0.53	100

(1) Mining method: OC = open cut, UG = underground.
(2) Coal quality is for a potential product rather than the in situ quality and is on air dried basis.
(3) Change due to depletion, additional data, remodelling, reclassification and amendment of OC and UG limits due to approval of Broadmeadow UG.
(4) Change due to depletion.
(5) Riverside and Goonyella mines are operated as a single mine; the Riverside Coal Reserve quoted is a reserve figure agreed to by the parties.
(6) Competent Person for CQCA JV, Gregory JV and BHP Mitsui is B W Cox (MAusIMM), and for Illawarra B Clark (MAusIMM).
(7) Proved Ore Reserves: max. 1000m spacing of geophysically logged, analysed, coreholes with ≥95% recovery, Probable Ore Reserves: 1000 to 2000m spacing of geophysically logged, analysed, coreholes with ≥95% recovery. Recoverable Coal Reserves (tonnes) is the sum of Proved and Probable Coal Reserve estimates, which includes allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable Coal Reserve (tonnes) is the tonnage of coal available, at specified moisture and air-dried quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes, with moisture adjustment where applicable.

SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION

Diamonds and Specialty Products Customer Sector Group

Mineral Resources

The table below details the Mineral Resources for the Diamonds and Specialty Products Customer Sector Group as at 30 June 2004 in 100 per cent terms.

Ownership	Deposit	Measured Resource Tonnes (dmt millions)	Measured Resource cpt Diamonds	Indicated Resource Tonnes (dmt millions)	Indicated Resource cpt Diamonds	Inferred Resource Tonnes (dmt millions)	Inferred Resource cpt Diamonds	Total Resource Tonnes (dmt millions)	Total Resource cpt Diamonds	BHP Billiton Interest %
Diamond Resources (1)(2)										
EKATI Core Zone	Beartooth	2.0	1.1	0.5	1.1	–	–	2.5	1.1	80
	Fox	5.6	0.4	13.2	0.4	7.9	0.4	26.7	0.4	80
	Koala (OC)	1.6	0.7	2.4	0.8	0.9	0.6	4.9	0.7	80
	Koala (UG)	3.7	1.8	6.7	0.7	0.5	1.2	10.9	1.1	80
	Koala North (UG)	–	–	1.6	0.5	–	–	1.6	0.5	80
	Misery	3.7	4.6	1.3	3.8	0.6	3.7	5.6	4.3	80
	Panda (UG)	3.3	1.2	1.1	1.2	–	–	4.4	1.2	80
	Pigeon	6.8	0.4	1.5	0.4	–	–	8.3	0.4	80
	Sable	12.8	0.9	3.6	0.9	0.2	0.9	16.6	0.9	80
EKATI Buffer Zone	Jay	–	–	22.8	2.0	15.3	2.1	38.1	2.1	58.8
	Lynx	1.2	0.8	0.2	0.8	–	–	1.4	0.8	58.8

(1) Resources presented are total resources inclusive of the resources converted to Ore Reserves and those not yet converted to Ore Reserves; they are reported using a 1.0mm size cut-off.
(2) Competent Person responsible is J Carlson (MAusIMM, NAPEGG).

Ore Reserves

The table below details the Ore Reserves for the Diamonds and Specialty Products Customer Sector Group as at 30 June 2004 (unless otherwise stated) in 100 per cent terms.

Commodity Ownership	Deposit	Proved Ore Reserve Tonnes (dmt millions)	Proved Ore Reserve cpt Diamonds	Probable Ore Reserve Tonnes (dmt millions)	Probable Ore Reserve cpt Diamonds	Total Ore Reserve Tonnes (dmt millions)	Total Ore Reserve cpt Diamonds	BHP Billiton Interest %
Diamond Ore Reserves (1)(2)(3)(4)								
EKATI Core Zone	Beartooth	1.1	0.8	0.1	0.8	1.2	0.8	80
	Fox	5.2	0.4	11.3	0.4	16.5	0.4	80
	Koala (OC)	1.2	0.6	2.0	0.7	3.2	0.7	80
	Koala (UG)	–	–	4.7	1.3	4.7	1.3	80
	Koala North (UG)	–	–	1.7	0.4	1.7	0.4	80
	Misery	3.4	2.2	0.7	1.7	4.1	2.1	80
	Panda (UG)	3.4	1.0	1.2	1.0	4.5	1.0	80
	Sable	9.1	0.6	1.2	0.6	10.3	0.6	80
		Tonnes (million)		Tonnes (million)		Tonnes (million)		
Titanium Ore Reserves (5)								
Richards Bay Minerals	TiO_2 slag		6.9		21.5		28.4	50

(1) An equivalent drill spacing of approximately 30m and 60m are used to classify Proved and Probable Reserves, respectively. Diamond recoveries are variable per ore type, based on an effective 2.0mm square screen size cut-off and included in the estimates of reserve grade.
(2) Third party reserve audits have not been conducted on our reserves for purposes of this Annual Report.
(3) Diamond prices used for Ore Reserves reflect marketing assumptions in our current business plan.
(4) The Competent Persons responsible are P Pecek (MAusIMM), W Boggis (MAusIMM) and P Harvey (MAusIMM).
(5) The Titanium Ore Reserves are as at 31 December 2003, and the Competent Person responsible is J Giroux (CIM/OEQ).

Energy Coal Customer Sector Group

Energy Coal Resources (3)

The table below details our Energy Coal Resources (in metric tonnes) estimated at 30 June 2004 in 100 per cent terms.

Deposit	Potential Mining Method (1)	Coal Type (2)	Measured Tonnes (millions)	Indicated Tonnes (millions)	Inferred Tonnes (millions)	Total Tonnes (millions)	BHP Billiton Interest %
New Mexico – Operating mines							
San Juan	UG	Th	229	16	–	245	100
Navajo	OC	Th	242	–	–	242	100
South Africa – Operating mines							
Douglas (4)	UG	Th	350	61	–	411	84
Khutala	OC & UG	Th	866	51	–	917	100
Koornfontein	UG	Th	34	–	–	34	100
Middelburg	OC	Th	618	–	–	618	84
Optimum	OC	Th	224	317	–	541	100
ZAC	UG	Anth	11	–	–	11	100
South Africa – Projects							
Klipfontein	OC	Th	93	–	–	93	100
Leandra North	UG	Th	443	134	–	577	100
Leandra South	UG	Th	–	474	–	474	100
Naudesbank	OC & UG	Th	19	33	79	131	100
Pegasus	OC	Th	11	–	–	11	100
Union	OC	Th	102	–	–	102	100
South Africa – Mineral leases							
Miscellaneous (5)	OC & UG	Met/Th	–	2 890	495	3 386	100
Australia – Operating mine and project							
Mt Arthur Coal	OC & UG	Th	710	2 191	395	3 296	100
Australia – Projects							
Togara South	UG	Th	317	639	1 059	2 015	100
Wyong	UG	Th	508	816	56	1 380	78
Colombia – Operating mine							
Cerrejon Coal Company	OC	Th	320	454	–	774	33.3

(1) OC = open cut, UG = underground.
(2) Th = thermal coal, Anth = Anthracite, Met = metallurgical coal.
(3) **Competent Persons**
San Juan: J Mercier (MAusIMM)
Navajo: D Rawson (MAusIMM)
Douglas: J H Marais (SACNASP)
Khutala: D J Lawrence (SACNASP)
Koornfontein: J H Marais (SACNASP)
Middelburg: J C van der Merwe (SACNASP)
Optimum: G J Cronje (SACNASP)
ZAC: J Liebenberg (SACNASP)
Klipfontein: J L Pienaar (SACNASP)
Leandra North, Leandra South, Naudesbank, Pegasus, Cerrejon Coal Company: C D van Niekerk (SACNASP)
Union, Mineral Leases – Miscellaneous: M A J Visser (SACNASP)
Mt Arthur Coal: P Grey (FAusIMM)
Togara South: D Dunn (MAusIMM)
Wyong: K Bartlett (MAusIMM).
(4) Douglas reserves decreased compared to 2003 mainly due to the transfer of reserves to Middelburg mine.
(5) South Africa Mineral lease miscellaneous coal resources have been reduced by 4 194 Mt from the previous 2003 base due to the relinquishment of uncommitted resources, changes in South African Minerals legislation and changes in the reporting policy that requires resources to be within fully permitted areas only.

Energy Coal Customer Sector Group continued

Energy Coal Reserves (3)(4)

The table below details our Energy Coal Reserves (in metric tonnes) estimated at 30 June 2004 in 100 per cent terms.

Deposit	Mining Method (1)	Coal Type (2)	Recoverable Coal Reserve (5) Tonnes (millions)	Marketable Coal Reserve (5) Tonnes (millions)	Calorific Value kcal/kg	Volatile Matter %	Sulphur %	Total Moisture (6)	BHP Billiton Interest %
New Mexico – Operating mines									
San Juan	UG	Th	80	80	5 300	34.0	0.73	9.7	100
Navajo	OC	Th	224	224	4 800	–	0.84	13.0	100
South Africa – Operating mines									
Douglas	UG	Th	96	69	6 640	23.8	0.70	8.0	84
Khutala	OC & UG	Th	317	317	4 470	21.0	1.00	8.0	100
Koornfontein	UG	Th	11	7	6 560	25.0	0.80	7.5	100
Middelburg	OC	Th	326	269	6 630	25.0	0.60	6.7	84
Optimum	OC	Th	345	269	6 640	24.0	0.50	8.2	100
ZAC	UG	Anth	3	2	7 400	5.4	0.80	6.2	100
Australia – Operating mine and project									
Mt Arthur Coal (7)	OC	Th	268	231	6 274	30.0	0.62	9.7	100
Colombia – Operating mine									
Cerrejon Coal Company	OC	Th	747	702	6 200	–	0.64	13.7	33.3

(1) OC = open cut, UG = underground

(2) Th = thermal coal, Anth = Anthracite

(3) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
San Juan	0-500m	500m-1Km
Navajo	1100m maximum nearest hole spacing, 180m average	NA
Douglas	>6 Boreholes per 100Ha	4-6 Boreholes per 100Ha
Khutala	>16 Boreholes per 100Ha	5-16 Boreholes per 100Ha
Koornfontein	>8 Boreholes per 100Ha	4-8 Boreholes per 100Ha
Middelburg	>16 Boreholes per 100Ha	5-16 Boreholes per 100Ha
Optimum	>16 Boreholes per 100Ha	5-16 Boreholes per 100Ha
ZAC	>16 Boreholes per 100Ha	5-16 Boreholes per 100Ha
Mt Arthur Coal	<500m	500-1000m
Cerrejon Coal Company	> 6 Boreholes per 100Ha	2-6 Boreholes per 100Ha

(4) **Competent Persons**
San Juan: J Mercier (MAusIMM)
Navajo: D Rawson (MAusIMM)
Douglas: J H Marais (SACNASP)
Khutala: D J Lawrence (SACNASP)
Koornfontein: J H Marais (SACNASP)
Middelburg: J C van der Merwe (SACNASP)
Optimum: G J Cronje (SACNASP)
ZAC: J Liebenberg (SACNASP)
Mt Arthur Coal: P Grey (FAusIMM)
Cerrejon Coal Company: C D van Niekerk (SACNASP).

(5) Recoverable Coal Reserves (tonnes) is the sum of Proved and Probable Coal Reserve estimates, which includes allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable Coal Reserve (tonnes) is the tonnage of coal available, at specified moisture and air-dried quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes, with moisture adjustment where applicable.

(6) Coal moisture content is on an as received basis.

(7) The Mt Arthur coal reserves have reduced from that reported in 2003 due mainly to the reclassification of reserves back to resources based on changes in reporting policy that requires reserves to be within fully permitted areas only.

Stainless Steel Materials Customer Sector Group

Stainless Steel Mineral Resources (1)(2)
The tables below detail Nickel and Chrome Mineral Resources (in metric tonnes) for the Stainless Steel Materials Customer Sector Group, as at 30 June 2004 in 100 per cent terms.

Commodity Deposit	Ore Type	Measured Resource Tonnes (dmt millions)	%Ni	Indicated Resource Tonnes (dmt millions)	%Ni	Inferred Resource Tonnes (dmt millions)	%Ni	Total Resource Tonnes (dmt millions)	%Ni	BHP Billiton Interest %
Nickel										
Australia – Projects										
Ravensthorpe (3)	Laterite	129	0.74	146	0.58	114	0.53	389	0.62	100
Colombia										
Cerro Matoso (4)	Laterite	47	1.75	29	1.37	6	1.29	82	1.59	99.8
		Tonnes (dmt millions)	$\%Cr_2O_3$	Tonnes (dmt millions)	$\%Cr_2O_3$	Tonnes (dmt millions)	$\%Cr_2O_3$	Tonnes (dmt millions)	$\%Cr_2O_3$	
Chrome										
South Africa – Operating mines										
Western Chrome	Oxide	36	40.8	47	41.5	21	41.0	104	41.1	60
Eastern Chrome	Oxide	39	40.7	93	41.9	74	42.9	206	42.0	60
South Africa – Undeveloped										
Chrome	Oxide	29	43.8	64	44.1	116	44.8	209	44.4	60

(1) Resources for Cerro Matoso nickel are estimated on the basis of a 1.0 per cent nickel cut-off, resources for Ravensthorpe nickel are estimated on the basis of a 0.3 per cent nickel cut-off; chrome is based on a 38 per cent Cr_2O_3 in situ chromitite cut-off.
(2) **Competent Persons**
Ravensthorpe: A C Bailey (MAusIMM)
Cerro Matoso: C Rodriguez (MAusIMM)
Western Chrome: C J Steenkamp (MAusIMM)
Eastern Chrome: H B Swart (SACNASP)
Undeveloped Chrome: C D Beater (SACNASP).
(3) Ravensthorpe is being reported for the first time, following BHP Billiton Board approval for development in March 2004.
(4) The increased resource is a result of both exploration drilling undertaken in new areas on the edges of the deposit as well as a lowering of the cut-off grade from 1.1 per cent Ni to 1.0 per cent Ni.

Stainless Steel Materials Customer Sector Group continued

Stainless Steel Ore Reserves (1)(2)(3)(4)(5)

The table below details our Stainless Steel Materials Ore Reserves (in metric tonnes), estimated as at 30 June 2004.

Commodity Deposit	Ore Type	Proved Ore Reserve Tonnes (dmt millions)	%Ni	Probable Ore Reserve Tonnes (dmt millions)	%Ni	Total Ore Reserve Tonnes (dmt millions)	%Ni	BHP Billiton Interest %
Nickel								
Australia – Projects								
Ravensthorpe (6)	Laterite	125	0.73	138	0.57	263	0.65	100
Colombia								
Cerro Matoso (7)	Laterite	38.7	1.89	11.7	1.59	50.4	1.82	99.8
		Tonnes (dmt millions)	$\%Cr_2O_3$	Tonnes (dmt millions)	$\%Cr_2O_3$	Tonnes (dmt millions)	$\%Cr_2O_3$	
Chrome								
South Africa – Operating mines								
Western Chrome	Oxide	10	36.1	14	35.9	24	36.0	60
Eastern Chrome	Oxide	6.8	37.9	10.7	41.2	17.5	39.9	60

(1) Mining dilution and mining recovery are accounted for in the reserve estimates.

(2) Reserves for Cerro Matoso nickel are estimated on the basis of a 1.0 per cent nickel cut-off, reserves for Ravensthorpe nickel are estimated on the basis of a diluted/contaminated resource model grade of 0.3 per cent nickel cut-off, chrome is based on a 38 per cent Cr_2O_3 in situ chromitite cut-off.

(3) Metallurgical recoveries for the operations are: Cerro Matoso 86 per cent nickel; Western Chrome 73.6 per cent saleable from ROM; and Eastern Chrome 60-85 per cent saleable from ROM.

(4) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Ravensthorpe	40m x 50m	80m x 100m
Cerro Matoso	<17meters	>17m and <33m
Western Chrome	300m x 300m	600m x 600m
Eastern Chrome	300m x 300m	600m x 600m

(5) **Competent Persons**
Ravensthorpe: M J Bue (PEO)
Cerro Matoso: R Argel (MAusIMM)
Western Chrome: C J Steenkamp (MAusIMM)
Eastern Chrome: H B Swart (SACNASP).

(6) Ravensthorpe is being reported for the first time, following BHP Billiton Board approval for development in March 2004. Third party audits were carried out in 2003 by GRD Minproc Ltd, and by Golders Associates in 2004.

(7) The changes in the mineral resource at Cerro Matoso have not been carried through in the Life Of Mine Planning and Ore Reserve as yet. The Ore Reserve reported is thus the same as last year with a reduction for tonnage mined and a change in cut-off grade from 1.1 per cent to 1.0 per cent Ni.

Twenty largest shareholders as at 27 August 2004 (as named on the Register of Shareholders)

	BHP Billiton Plc	Number of fully paid shares	% of issued capital
1	Plc Nominees Pty Limited	644 484 938	26.11
2	Chase Nominees Limited	142 158 962	5.76
3	HSBC Global Custody Nominee (UK) Ltd <357206 A/C>	63 370 193	2.57
4	BNY (OCS) Nominees Limited	52 678 144	2.13
5	State Street Nominees Limited <OM02 A/C>	44 291 191	1.79
6	Chase Nominees Limited <LEND A/C>	44 098 642	1.79
7	The Bank of New York (Nominees) Limited	43 902 465	1.78
8	Bank of New York (Nominees) <CREST1 A/C>	42 140 300	1.71
9	Mellon Nominees (UK) Limited <BSDTUSD A/C>	38 657 858	1.57
10	Mellon Nominees (UK) Limited <BSDTABN A/C>	37 271 877	1.51
11	Nortrust Nominees Limited <SLEND A/C>	37 245 165	1.51
12	Nortrust Nominees Limited	34 840 951	1.41
13	James Capel (Nominees) Limited <SPEC A/C>	31 138 004	1.26
14	Chase Nominees Limited <USRESLD A/C>	30 872 919	1.25
15	Chase Nominees Limited <SLGDBV A/C>	29 171 288	1.18
16	Chase Nominees Limited <BGILIFEL A/C>	26 547 216	1.08
17	State Street Nominees Limited <GB01 A/C>	22 450 484	0.91
18	HSBC Global Custody Nominee (UK) Limited <899877 A/C>	22 277 805	0.90
19	Vidacos Nominees Limited <FGN A/C>	20 316 766	0.82
20	Nutraco Nominees Limited	17 842 925	0.72
		1 425 758 093	57.76

	BHP Billiton Limited	Number of fully paid shares	% of issued capital
1	Westpac Custodian Nominees Ltd	622 973 774	16.56
2	J P Morgan Nominees	550 078 470	14.63
3	National Nominees Ltd	439 240 152	11.68
4	Citicorp Nominees Pty Ltd	237 253 441	6.31
5	Australian Mutual Provident Society	129 267 529	3.44
6	ANZ Nominees Ltd	107 559 543	2.86
7	Queensland Investment Corporation	70 961 296	1.89
8	HSBC Australia Nominees Pty Ltd	34 022 881	0.90
9	RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C>	23 713 089	0.63
10	RBC Global Services Australia Nominees Pty Ltd	20 623 725	0.55
11	NRMA Group	18 773 706	0.50
12	Westpac Financial Services Ltd	18 432 503	0.49
13	Government Superannuation Office <State Super Fund A/C>	18 376 559	0.49
14	Commonwealth Superannuation Board of Trustees	16 140 312	0.43
15	Bond Street Custodians Limited	14 950 683	0.40
16	INVIA Custodian Pty Limited	12 925 097	0.34
17	Victorian WorkCover Authority	12 520 806	0.33
18	IOOF Investment Management Limited	11 655 075	0.31
19	RBC Global Services Australia Nominees Pty Ltd <PIPOOLED A/C>	11 079 252	0.29
20	Australian Foundation Invest	10 968 234	0.29
		2 381 516 127	63.32

Substantial shareholders

BHP Billiton Plc
By notices provided the Company's register of substantial shareholdings showed the following interests in 3 per cent or more of the Company's shares:

	Date of notice	Ordinary shares	%
Old Mutual Plc (1)	11 Feb 04	197 616 150	8.01
The Capital Group of Companies (2)	2 Jun 04	195 110 685	7.91
Legal & General Investment Management Limited	14 Jun 02	75 230 880	3.05

(1) Old Mutual Life Assurance Company (South Africa) Limited holds 103 654 830 shares representing 4.20 per cent of the total disclosed for Old Mutual Plc group companies.
(2) Capital Guardian Trust Company holds 74 009 278 shares representing 3.00 per cent of the total disclosed for The Capital Group of Companies.

BHP Billiton Limited
Nil.

Distribution of shareholders and shareholdings as at 27 August 2004

	BHP Billiton Plc				BHP Billiton Limited			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Registered address								
Australia	65	0.6	752 592	0.0	306 885	94.2	3 675 051 496	97.7
New Zealand	12	0.1	40 665	0.0	9 821	3.0	41 485 847	1.1
United Kingdom	9 124	81.6	1 810 825 676	73.4	4 757	1.5	21 393 137	0.6
United States	62	0.6	341 826	0.0	1 794	0.5	4 485 272	0.1
South Africa	1 453	13.0	649 556 824	26.3	43	0.0	123 463	0.0
Other	460	4.1	6 629 419	0.3	2 572	0.8	18 585 566	0.5
Total	11 176	100.0	2 468 147 002	100.0	325 872	100.0	3 761 124 781	100.0

	BHP Billiton Plc				BHP Billiton Limited			
	Shareholders Numbers	%	Shares (1) Numbers	%	Shareholders Numbers	%	Shares (1) Numbers	%
Size of holding								
1 – 500 (2)	2 678	24.0	615 487	0.0	79 771	24.5	21 539 528	0.6
501 – 1 000	2 270	20.3	1 706 252	0.1	64 177	19.7	51 223 964	1.4
1 001 – 5 000	3 892	34.8	8 340 324	0.3	132 127	40.5	311 476 599	8.3
5 001 – 10 000	596	5.4	4 174 317	0.2	26 967	8.3	193 431 552	5.1
10 001 – 25 000	428	3.8	6 866 953	0.3	16 452	5.1	249 230 499	6.6
25 001 – 50 000	225	2.0	8 117 592	0.3	3 882	1.2	133 509 409	3.5
50 001 – 100 000	240	2.0	17 326 998	0.7	1 568	0.5	107 749 389	2.9
100 001 – 250 000	307	2.8	48 183 579	2.0	646	0.2	93 360 503	2.5
250 001 – 500 000	163	1.5	57 823 879	2.3	133	0.0	44 684 895	1.2
500 001 – 1 000 000	150	1.4	106 692 458	4.3	50	0.0	35 214 587	0.9
1 000 001 and over	227	2.0	2 208 299 163	89.5	99	0.0	2 519 703 856	67.0
Total	11 176	100.0	2 468 147 002	100.0	325 872	100.0	3 761 124 781	100.0

(1) One share entitles the shareholder to one vote.
(2) Number of BHP Billiton Limited shareholders holding less than a marketable parcel (A$500) based on the market price of A$13.33 as at 27 August 2004 was 6 820.

	BHP Billiton Plc				BHP Billiton Limited			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Classification of holder								
Corporate	5 378	48.1	2 454 480 869	99.5	46 814	14.4	2 712 153 862	72.1
Private	5 798	51.9	13 666 133	0.5	279 058	85.6	1 048 970 919	27.9
Total	11 176	100.0	2 468 147 002	100.0	325 872	100.0	3 761 124 781	100.0

Dividend payments

If you wish to have your dividends paid directly into a bank or building society account, please contact the Registrar in the UK or South Africa, as appropriate, for a dividend mandate form.

When you close or amend your banking arrangements, it is essential you notify the Registrar of the new details.

Dividend determination

The US dollar, in which the majority of the Group's sales are made, most reliably records the Group's global business performance and is BHP Billiton's main reporting currency. It is, therefore, the currency in which dividends are determined. BHP Billiton Plc dividends are declared in US dollars and converted into sterling and rand at the exchange rates applicable two business days prior to announcement of dividends.

Dividend payment in US dollars

Any shareholder wishing to receive their dividend payment in US dollars must write to the appropriate Registrar so that their election is received no later than the record date. Any request to be paid in US dollars will remain in force until the payment of that dividend and will be irrevocable.

Consolidation of share certificates

If your certificated ordinary shareholding is represented by several share certificates, you may wish to have these replaced by one consolidated certificate. There is no charge to individuals for this service. You should send your share certificates to the appropriate Registrar.

Change of address

It is important that shareholders notify BHP Billiton Plc in writing immediately if there is a change to their registered address. For the protection of shareholders, instructions to BHP Billiton Plc need to be in writing and directed to the Registrar in the United Kingdom or South Africa, as appropriate.

Stock exchange listings

BHP Billiton Plc is listed on stock exchanges in the UK (London), and South Africa (Johannesburg). In addition, American Depositary Shares (each representing two ordinary shares) evidenced by American Depositary Receipts (ADRs) issued by JPMorgan Chase Bank, as Depositary, trade on the New York Stock Exchange.

Annual General Meeting

The Annual General Meeting of BHP Billiton Plc will be held at the Queen Elizabeth II Conference Centre, Westminster, London, on Thursday, 25 November 2004 commencing at 10.30 am.

Details of the business of the meeting are contained in the separate Notice of Meeting enclosed with this Annual Report.

Enquiries

Shareholders who wish to contact BHP Billiton Plc on any matter relating to their share holdings are invited to telephone the appropriate Shareholder Services office listed on the inside back cover of this report.

Shareholders may also telephone (44 20) 7802 4000 or write to:

Deputy Company Secretary
BHP Billiton Plc
Neathouse Place
London SW1V 1BH
United Kingdom

This page has been left blank intentionally

This page has been left blank intentionally

CORPORATE DIRECTORY

BHP BILLITON PLC
REGISTERED OFFICE

United Kingdom
Neathouse Place
London SW1V 1BH

Telephone (44 20) 7802 4000
Facsimile (44 20) 7802 4111

Company Secretary
Karen J Wood

BHP BILLITON OFFICES
CORPORATE CENTRES

Australia
BHP Billiton Limited
BHP Billiton Centre
180 Lonsdale Street
Melbourne VIC 3000

Telephone (61 3) 9609 3333
Facsimile (61 3) 9609 3015

United Kingdom
Neathouse Place
London SW1V 1LH

Telephone (44 20) 7802 7000
Facsimile (44 20) 7603 8008

South Africa
6 Hollard Street
Johannesburg 2001

Telephone (27 11) 376 9111
Facsimile (27 11) 838 4716

United States
1360 Post Oak Boulevard, Suite 150
Houston, TX 77056-3020

Telephone (1 713) 961 8500
Facsimile (1 713) 961 8400

Chile
Avenida Americo Vespucio Sur # 100, 9th Floor
Las Condes
Santiago

Telephone (56 2) 330 5000
Facsimile (56 2) 207 6531

MARKETING OFFICES

The Netherlands
Verheeskade 25
2521 BE The Hague

Telephone (31 70) 315 6666
Facsimile (31 70) 315 6767

Singapore
168 Robinson Road #10-01
Capital Tower
Singapore 068912

Telephone (65) 6349 3333
Facsimile (65) 6349 4000

REGISTRARS AND TRANSFER OFFICES

United Kingdom
The Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Postal Address – PO Box 82 Bristol BS99 7NH

Telephone (44 870) 889 3148
Facsimile (44 870) 703 6103
Email enquiries: web.queries@computershare.co.uk

South Africa
Mailing Address
Computershare Investor Services 2004 (Pty) Limited
PO Box 61051
Marshalltown 2107

Office Address
70 Marshall Street
Johannesburg 2001

Telephone (27 11) 370 5000
Facsimile (27 11) 370 5487

United States
Computershare Investor Services
2 North LaSalle Street
Chicago, IL 60602

Postal Address
PO Box 0289
Chicago, IL 60690-9569

Telephone 1 800 991 8974 (toll-free within US)
Facsimile (1 312) 461 4331

ADR Depositary, Transfer Agent and Registrar
JPMorgan Chase Bank
Shareholder Services
PO Box 43013
Providence, RI 02940-3013

Telephone (1 781) 575 4328 (outside of US)
1 800 990 1135 (toll-free within US)
Facsimile (1 781) 575 4082
Email: adr@jpmorgan.com

Receive your Annual Report electronically.
BHP Billiton Plc's Annual Report is also posted on the internet. Shareholders are encouraged to visit **www.bhpbilliton.com** to inspect the electronic version of the Annual Report and provide feedback to the Company.

www.bhpbilliton.com